

**ACTIVITIES OF THE SMALL BUSINESS
ADMINISTRATION'S OFFICE OF VETERANS AFFAIRS**

HEARING
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE
NINETY-NINTH CONGRESS

FIRST SESSION

ON

ACTIVITIES OF THE SMALL BUSINESS ADMINISTRATION'S OFFICE OF
VETERANS AFFAIRS

NOVEMBER 13, 1985



Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE

56-678 O

WASHINGTON : 1986

5721-3

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ACTIVITIES OF THE SMALL BUSINESS ADMINISTRATION'S OFFICE OF VETERANS AFFAIRS

WEDNESDAY, NOVEMBER 13, 1985

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m., in room SR-428A, Russell Senate Office Building, Hon. Lowell Weicker (chairman of the committee) presiding.

Present: Senators Weicker, D'Amato, Kasten, Tribble, Gorton, Bumpers, Kerry, Harkin, Dixon, and Rockefeller.

Staff present: Robert J. Dotchin, staff director; R. Michael Haynes, chief counsel; John W. Ball III, staff director, minority; Lisa Linden, press secretary; Tracy Crowley, hearing clerk; and Patty Barker, counsel, minority.

STATEMENT OF HON. LOWELL WEICKER, A U.S. SENATOR FROM THE STATE OF CONNECTICUT, AND CHAIRMAN, SENATE SMALL BUSINESS COMMITTEE

The CHAIRMAN. The committee will come to order.

It is the committee's intention today to explore whether SBA has fulfilled its statutory mandate of providing special consideration to veterans of the Armed Forces in administering its programs. I wish to commend Senators Kerry and Rockefeller for the leadership and concern they have shown in this important area.

In 1974, the Congress and this committee had expressed their desire to assist veterans seeking to join the ranks of America's 14 million small businesses through the enactment of Public Law 93-237 which mandates that veterans receive "special consideration" in all Small Business Administration programs. Through congressional hearings in 1980 and 1981 and the input of many of the veterans service organizations represented here today, it was determined that very little was actually done by SBA on behalf of veterans up to that point.

On May 14, 1982, SBA Administrator Jim Saunders breathed life into the special consideration mandate by issuing a policy statement affirming his commitment to the veterans programs at SBA and directing the agency to undertake a series of initiatives designed to ensure that veterans receive the priority treatment they were entitled to at SBA. It is the committee's intention to examine the services provided by SBA to the veterans community since 1982 in order to make sure that the commitment Congress has made to veterans seeking business opportunities is being honored.

This hearing will focus on how effective SBA's delivery of services to veterans has been, as well as recommendations for improvement.

I now turn over the gavel to my good friend, Senator Kerry. I would ask unanimous consent that following Senator Kerry's remarks, statements of Senators Dixon, Pressler, and Baucus, be included in the record.

Senator Kerry.

STATEMENT OF HON. JOHN F. KERRY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KERRY. Thank you very much, Mr. Chairman.

I am very appreciative to you as a member of this committee and also on behalf of veterans for your willingness to have this hearing. Also, I would like to express my appreciation to the staff that I know, unfortunately, had to put up with a change in schedule, and I appreciate their patience and indulgence in this effort.

I think it is very appropriate that we meet here 2 days after Veterans Day, 1985, to conduct hearings on the Office of Veterans Affairs of the Small Business Administration. It is appropriate, obviously, because as we honor at this time of year the sacrifices which veterans have made in war and note the passing of many of our comrades, it is also vital that we recommit ourselves and remember the obligation that we have with respect to those who served and came back, many of whom still struggle.

The mission of the Office of Veterans Affairs of the Small Business Administration is to act as a catalyst in a public-private partnership between veterans and the SBA in order to help them to get into business and to stay in business.

I would like to emphasize that from my perspective, the purpose of this hearing is not to search for problems or shortcomings but to try to find ways that this committee and all of us as members of it can assist and help the SBA to be able to perform that function with the notion that we can always do better. We should always try to do better.

Public Law 92-237, passed by the Congress in 1974, as the chairman has noted, mandates that the Small Business Administration give "special consideration" to veterans in all agency programs, and there are articulated policies of the SBA as to how it has chosen to do that. Despite the passage in 1974, it really wasn't until 1982 that the SBA established an Office of Veterans Affairs to implement that policy of special consideration.

I think that is a good start. It is important that we do it. But there are indications that there is more that we can do, and I think that is what we are here to talk about today.

The Office of Veterans Affairs still does not have a permanent director. As my colleague, Senator Rockefeller, noted in his studious inquisitiveness, the budget which has been appropriated seems not to be utilized to the extent to which some observers would like to see it utilized. I would particularly like to thank Senator Rockefeller for his continued interest in and concern for veterans in his efforts to try to make sure that we are doing all that we ought to be.

Further indication that there is more that we can do comes from a study recently conducted by my office in Boston of regional offices around the country. In a telephone survey in which people are asked a series of questions as veterans, inquiring about programs and services available to them, this study being conducted in late September and October of this year, we were somewhat surprised by the findings.

Over 40 percent of SBA offices denied that there was any special loan program for veterans; 44 percent of SBA offices were unaware of a special procedure outlining the veterans programs. Over 40 percent of the offices were unaware of any special assistance for disabled veterans. Over 56 percent said there were no special conferences or training sessions for veterans. Over 79 percent were unaware of the existence of any veterans business resource council; 63 percent, or almost two-thirds, were unaware of any way that a veterans service organization or individual veteran could assist the SBA facility in delivery of services or opportunities training to veterans; 37 percent either denied that there was a veterans program at all or said they were unaware of such a program.

I think it is clear that, therefore, we need to try to see how we can communicate with the veterans community, do a better job of outreach, get people to understand that this obligation, not just to Vietnam veterans, to many veterans in this country is an unfulfilled obligation which we need to continue to pay attention to in a most direct way.

So, I am very happy that we are going to have these hearings. I hope they are going to be very constructive and helpful to all of us in understanding how we can do what I have outlined, and I look forward to hearing the testimony of a good cross section of those who have had to do with the program and with its goals.

[The prepared statements of Senators Kerry, Dixon, Pressler, and Baucus follow:]

ADDENDUM TO STATEMENT OF SENATOR KERRY

INTRODUCTION

Small businesses are the backbone of much of our Nation's economy. Nowhere is this more true than in my home state of Massachusetts. The fact is that the overwhelming majority of jobs being created in Massachusetts, as in the rest of the Nation, are in small firms. The question that confronts those of us who serve on the Committee on Small Business of the United States Senate is to determine how we can promulgate government policies that will foster the creation and development of small firms without inappropriate intrusion or interference in the healthy competition of the marketplace. One essential ingredient is to ensure that the Small Business Administration continues to exist, and to be increasingly efficient and effective in meeting the true needs of those who are seriously contemplating entering into a business of their own.

Numerous studies have shown that over 60% of those who embark on their own business do so between the ages of 35 to 45 years of age. The average age of Vietnam veterans is now 39.4, which places them at the prime age for entry into small business. As both a Senator and a Vietnam veteran, I have a particular interest and responsibility to ensure that veterans receive the proper business counselling and other assistance that the Congress intended when it passed Public Law 93-237, which mandated the Small Business Administration to provide "special consideration" to veterans in all of its activities.

In response to information I received from many individual veterans and from the veterans service organizations that P.L.93-237 was being implemented in a manner that was sporadic at best, I charged my staff with conducting a nationwide survey of SBA offices to determine whether there was a minimum of basic awareness of the veterans' programs at SBA, and if there was a readiness to assist veterans. Since the overwhelming number of initial contacts with an SBA facility by a veteran is by telephone, that was the method used.

Some offices seemed to be keenly aware of their responsibilities toward veterans and knowledgeable of what SBA should and could do to assist a veteran to succeed in small business. Other offices were ignorant to the mention of veterans, hostile to the mention of veterans, or both. In fairness, the number of "good"

however, that this was only an "awareness" survey and not designed to be any sort of a definitive measure of veterans' program efficacy.

What is clear is that there is the nucleus of a good and useful veterans program here. The present need is for clear national policies and determined implementation of those guidelines. November 11, 1985 is the tenth Veterans Day since the formal end of the Vietnam War. America's Vietnam veterans deserve better than a lackadaisical attitude on the part of SBA. A strong and vibrant free economy is vital to defending freedom. We must ensure that those who served in combat, and who wish to serve again in peace, are properly trained and equipped. Just as their parents led the American economy to great heights following WW II, so too are Vietnam veterans ready to lead the American economy to new greatness in the 1980s and 1990s. Let us not fail them by failing to provide the opportunity to receive the training and resources needed to get the job done.

SUMMARY OF FINDINGS

The Small Business Administration is mandated by Public Law 93-237 to provide "Special Consideration" for veterans in all of its programs and activities. The offices of Senator John F. Kerry (D-MA.), surveyed 87 of the approximately 100 SBA facilities that exist in the Nation to determine level of awareness of the SBA national policies, as noted in the SBA Administration's order implementation P.L. 93-137 (See Appendix 1), the SBA Policy guidelines issued in 1983 (See Appendix 2), and other SBA stated policies and procedures. Major findings of this survey, conducted in late September and early October of 1985 are:

- A marked disparity in level of awareness of existence of SBA veterans program by SBA personnel. Some were extremely knowledgeable of the program; others denied there was a veterans program (25%) or were unaware of such a program (12%)

- Over 40% of SBA offices denied there was any special loan program for veterans

- 27.6% of SBA offices said there were no general loan programs that veterans could seek as ordinary citizens

- 44% of SBA offices were unaware of a special brochure outlining the veterans program

Affairs Officer in their facility

- Over 40% of the offices were unaware of any special assistance for disabled veterans
- Over 56% said there were no special conferences on training sessions for veterans
- Over 79% were unaware of the existence of any "Veterans Business Resource Council" (VBRC)
- Almost two thirds (63.2%) were unaware of any way that a veterans' service organization or individual veteran could assist the SBA facility in delivery of services or opportunities for training to veterans

METHODOLOGY

The questionnaire was developed and refined to reflect the most basic elements of awareness of the rudiments of a veterans program:

- 1 - Is there a VAO and who?
- 2 - Is there a veterans program?
- 3 - Are there loan funds for veterans?
- 4 - Is there a disabled veterans program?
- 5 - Is there a brochure for veterans?
- 6 - Can veterans help you help other veterans?

(See Appendix for a copy of the questionnaire.)

The staff calling was done from the Eastern time zone, hence most of the offices not reached were in the Western time zones. However, 87 of the offices were reached by telephone. The callers were briefed in the veterans program as it has been represented by the SBA National Office and were instructed to give the respondents every opportunity to produce the best answer possible to each question, including referral to a second person within their facility. The callers were instructed to be unbiased, but persistent in trying to get information. It is therefore a fair representation of the experience an average American veteran would have if he or she called the same facility.

RECOMMENDATIONS

- SBA develop clear policies on what the veterans' program is at SBA, and how "special consideration" is to be implemented in each and every SBA or SBA-sponsored program.

SBA employees as to the existence of the veterans program and the basic elements of such a program.

-- SBA thoroughly train VAOs, District Directors, and Regional Managers, and other responsible officials in the policies relating to veterans are approved and proven successful methods of implementing those policies.

-- SBA develop and immediately implement proper lines of authority, responsibility, and accountability to ensure adequate awareness and implementation of policies regarding "special consideration" to veterans at all of their facilities and in all of the SBA sponsored programs.

-- SBA give strong consideration to reallocation of staff resources to ensure that the foregoing is carried out on a continual basis in the future (i.e. full time VAOs in each Regional Office to train, monitor, and supervise "special consideration" activities on behalf of the Regional Manager).

-- SBA place a "Veterans Handbook" brochure in the hands of every SBA employee, especially those who even deal directly with the public.

-- SBA renew its efforts at outreach to veterans' community, including widespread dissemination of basic information, to its own employees as well as to the public, accentuating non-loan activities.

Hello, I'm an active Vietnam Veteran calling to get information to help other veterans who are interested in getting started in small business. I want to find out what's available to veterans from your office.

1. Is there a special person in your office who is designated to provide special advice and assistance to veterans?

- a.) What is that person's name?
 b.) What is that person's title?
 c.) May I please speak to that person?

2. Do you have a veterans program at SBA?

Person #1	Person #2
Yes _____	Yes _____
No _____	No _____
Don't Know _____	Don't Know _____

3. I heard that there is a special loan program for Vietnam veterans. Is that true?

Yes _____
 No _____

4. Are there any loan funds available for veterans who apply right now?

Yes _____
 No _____

(Note what they told you to do, if anything, to qualify for a loan.)

5. Is there a brochure or printed information a veteran can get from your office that specifically describes the veterans program?

Person #1	Person #2
Yes _____	Yes _____
No _____	No _____
Don't Know _____	Don't Know _____

6. Are there special programs or is there special assistance for disabled vets?

Yes _____

No _____

Don't Know _____

If Yes, what is it?

1

7. In the past six months have there been any special meetings, conferences, or business training sessions just for veterans?

Yes _____

No _____

Don't Know _____

8. a) I understand that some SBA offices have something called a "VBRC" or business council of veterans. Is there an active "VBRC" in your office?

Yes _____

No _____

Don't Know _____

- b) How would (or could) an interested vet get involved?

Yes _____

No _____

Don't Know _____

Comments: _____

NOTE: Please record your comments on the interview.

i.e. Was information given readily, hesitantly, etc.
Were those interviewed helpful, obstinate, etc. or any other
general comments that may be significant to this survey.

ALAN J. DIXON
ILLINOIS

United States Senate

WASHINGTON, D.C. 20510

STATEMENT OF SENATOR ALAN J. DIXON

NOVEMBER 13, 1985

OVERSIGHT HEARING OF THE SENATE SMALL BUSINESS

COMMITTEE

ON THE SMALL BUSINESS ADMINISTRATION'S

VETERANS ASSISTANCE PROGRAMS

SENATOR KERRY, I COMMEND YOU ON CHAIRING THIS
OVERSIGHT HEARING BY THE SENATE SMALL BUSINESS COMMITTEE
TO INVESTIGATE WHETHER THE VETERANS AFFAIRS OFFICE OF
THE SMALL BUSINESS ADMINISTRATION IS GIVING "SPECIAL
CONSIDERATION" TO VETERANS IN ALL AGENCY PROGRAMS AS
DIRECTED BY P.L. 93-237.

THE STATUS OF VETERANS IN THIS COUNTRY IS A MATTER
OF GREAT CONCERN TO ME. ALONG WITH A NUMBER OF OTHER
SENATORS ON THIS COMMITTEE, I AM A VETERAN. ALL OF US

ARE VERY SENSITIVE TO THE RE-ENTRY PROBLEMS VETERANS FACE AFTER SERVICE. THIS COUNTRY OWES ITS VETERANS A SUBSTANTIAL DEBT FOR THE UNIQUE CONTRIBUTION THEY MAKE TO THIS NATION'S DEFENSE.

THE SMALL BUSINESS ADMINISTRATION HAS A PECULIARLY IMPORTANT ROLE TO PLAY IN TERMS OF ENHANCING EMPLOYMENT AMONG VETERANS. IN RECENT YEARS, SMALL BUSINESS HAS ACCOUNTED FOR APPROXIMATELY 80% OF ALL NEW JOBS. ENTREPRENEURIAL ACTIVITY MAY PROVIDE THE KEY TO THE ECONOMIC AND EMOTIONAL RECOVERY OF VETERANS WHO HAVE SERVED IN UNPOPULAR WARS OR WHO HAVE BECOME DISABLED OR DISADVANTAGED AS A RESULT OF THEIR SERVICE. CONGRESS MUST INSURE THAT THE SMALL BUSINESS ADMINISTRATION FULFILLS ITS OBLIGATION TO PROVIDE SPECIAL CONSIDERATION TO A VERY SPECIAL GROUP OF AMERICANS.

STATEMENT OF SENATOR LARRY PRESSLER
before the
COMMITTEE ON SMALL BUSINESS
OVERSIGHT HEARING ON SMALL BUSINESS'S OFFICE OF VETERANS AFFAIRS
NOVEMBER 13, 1985

Mr. Chairman, as both a Senator and a Vietnam veteran I am concerned whether the Small Business Administration (SBA) is effectively and efficiently implementing Public Law 93-237, which mandates "special consideration" for veterans in all SBA programs. I am especially concerned that there seems to be a loss of momentum in moving toward full implementation of this veterans programs. This is shown in reports I have received from some of the fine veterans' service organizations represented here today, and from many individual veterans.

I would emphasize that more progress for "special consideration" for veterans has been made under the current Administration than in the three previous Administrations combined. I know the President was sincere when he noted early in his first term that, "We owe more than money to those who wore their country's uniform and sacrificed in its behalf, and we will not waver in our obligation to them." I personally know that the President and his SBA Administrator, James C. Sanders, are specifically concerned with the special problems of Vietnam and disabled veterans. What is puzzling to me is that this genuine concern and commitment is not being translated into effective services to veterans in all SBA District offices at all times. What the veterans are asking for is not a handout, but

rather a chance to learn the business skills that will allow them to successfully compete in the rough and tumble of the marketplace. Veterans have the will, the grit, and the drive. What they are asking for--and have every right to receive--are straight answers, and correct answers, about the available loan programs, good small business development counseling, and other services which, according to SBA policy, they should be receiving without hassles. The Congress and the public also have every right to expect that SBA will spend all of the funds duly authorized and appropriated for that purpose. These funds should be spent in a business-like manner, so as to get the most out of each of the public hard-earned tax dollars. What veterans are asking for is a low-cost, lean, and efficient program centered on opportunities for effective management training. Those who served us well on the battlefield are only asking for the chance to earn a piece of the American dream.

Our Nation's veterans and the Senate expect the SBA to get organized, to effectively implement "special consideration" in all SBA facilities, and to ensure that all SBA employees are aware of SBA's special programs for veterans.

I look forward to this hearing as a means of getting all the perspectives on this issue, and to restoring a sense of urgency and commitment to the veterans' activities of the Small Business Administration. This is in the interest of veterans and the entire Nation.

STATEMENT

BY

SENATOR MAX BAUCUS

BEFORE THE SMALL BUSINESS COMMITTEE

HEARING ON VETERANS PROGRAMS

November 13, 1985

Mr. Chairman, I want to thank you and especially Senator Rockefeller and Senator Kerry for calling this hearing today.

The issue brought to light today is very important and a little discouraging. But this hearing is also an opportunity to identify a problem at the beginning and fix it before it gets any worse.

The problem today is simply "are we doing what we promised to do for veterans?" It is not necessarily whether we have given or are

spending enough money and I hope we will keep that in mind as we proceed today.

This hearing has been prompted by the discovery that of the \$1 million appropriated for veterans outreach and training, only about half will be utilized.

Mr. Chairman, we have to be a little skeptical. In the first place, \$1 million, while a lot of money, is probably one of the smallest sums appropriated for any program. We all surely thought that amount was less than needed to do the job right, but we also have had to cut as deep as we can to balance the budget.

But the other reason we have for doubting if SBA is meeting Congressional intent is that the history of veterans programs in SBA is not a proud one.

We have been trying to establish effective veterans programs in SBA without a lot of success

since 1962 when the SBA administrator directed that verterans be given a "priority."

But nothing happened until 1974 when Congress itself said veterans should be given "special consideration." Unfortunately, it was not defined until 1981 when a task force was organized to make recommendations.

In 1982 we finally had an SBA adminstrator outline how they would implement this language.

I want to commend and thank the SBA for their tremendous accomplishment since then. In 1980, veterans received 12% of all SBA loan dollars. In FY 1985, about 27% of all loans went to veterans, half of those to Viet Nam veterans.

But we are now worried that these gains will be shortlived and that we will "backslide," as Senator Rockefeller has pointed out so well.

Very recent signs are indeed worrisome:

* Only half of the already paltry appropriation will be expended this year.

* The office of the director of Veterans Affairs has been vacant for a year now.

* There still is not a veterans handbook available for distribution to provide updated information and program regulations.

Mr. Chairman, perhaps it is possible that SBA is performing the task we have mandated and that we owe them our thanks for being so fiscally responsible. If that is the case, I gladly commend them.

But let us first ask the questions and let us decide on the facts. Our responsibility today is to make certain we are doing what we said we would. Our responsibility today is to the veterans of this country.

Again, I commend my colleagues for their initiative in this issue and I am grateful to be a part of this committee.

The CHAIRMAN. Senator D'Amato.

**STATEMENT OF HON. ALFONSE M. D'AMATO, A U.S. SENATOR
FROM THE STATE OF NEW YORK**

Senator D'AMATO. Mr. Chairman, I would like to ask that my full statement be entered into the record as if read in its entirety.

The CHAIRMAN. Without objection, so ordered.

Senator D'AMATO. I thank you, Mr. Chairman, for undertaking these important hearings as it pertains to veterans and the lack of implementation of programs that would assist veterans.

I would make one note. Veterans lending has decreased dramatically. An updated version of the veterans handbook has yet to be published. Veteran program regulations have still not been published. And the frequency of veterans workshops also has decreased.

So, during a time when, if anything, there should be increased attention given to assisting veterans, particularly in the area of business opportunities, this has not been the case.

So, Mr. Chairman, I commend you for calling these hearings in a very timely manner.

[The prepared statement of Senator D'Amato follows:]

STATEMENT FOR SENATOR D'AMATO
OVERSIGHT HEARING ON SBA'S VETERANS ASSISTANCE PROGRAMS
NOVEMBER 13, 1985
10:00 A.M.
SR 428A

GOOD MORNING, MR. CHAIRMAN. I AM PLEASED TO BE PRESENT AT TODAY'S HEARING CONCERNING THE SMALL BUSINESS ADMINISTRATION'S TREATMENT OF VETERAN PROGRAMS. BEFORE WE BEGIN, I WOULD LIKE TO THANK OUR PANEL OF WITNESSES FOR ATTENDING THIS IMPORTANT HEARING TODAY.

WE ALL KNOW THE IMPORTANCE OF SMALL BUSINESS IN THIS NATION'S ECONOMIC COMMUNITY. IN RECENT YEARS, WE HAVE SEEN AN EXPLOSION OF SMALL BUSINESS START-UPS. IN 1984, OVER 635,000 NEW BUSINESSES WERE INCORPORATED. SMALL BUSINESSES EMPLOY 48 PERCENT OF THE WORKFORCE, PROVIDE 67 PERCENT OF INITIAL JOB OPPORTUNITIES, AND ARE RESPONSIBLE FOR THE INITIAL ON-THE-JOB TRAINING IN BASIC SKILLS FOR MANY INDIVIDUALS. THESE NUMBERS ARE IMPRESSIVE. SMALL BUSINESSES ARE ALSO RESPONSIBLE FOR MORE THAN HALF OF THE NEW PRODUCT AND SERVICE INNOVATIONS DEVELOPED SINCE WORLD WAR II.

A GOOD NUMBER OF THESE BUSINESSES ARE OWNED BY VETERANS. THE MAJORITY OF SUCCESSFUL BUSINESSES OWNED BY VETERANS ARE OWNED BY VETERANS OF THE SECOND WORLD WAR OR THE KOREAN

CONFLICT. THIS LEAVES US WITH THE VETERANS OF OUR NATION'S MOST RECENT MILITARY INVOLVEMENT, THOSE MEN OF PRIME BUSINESS AGE -- THE VIETNAM VETERANS. MANY OF THESE MEN HAVE CLEAR BUSINESS GOALS, BUT ARE IN NEED OF PROPER BUSINESS ADVICE AND FINANCIAL ASSISTANCE FOR INITIAL START-UP COSTS.

WE ARE ALL AWARE OF THE HISTORY OF SMALL BUSINESS VETERAN PROGRAMS. SINCE 1981, THE SMALL BUSINESS ADMINISTRATION HAS TAKEN STEPS TO ASSIST VETERANS WITH THE FORMATION OF THEIR OWN CORPORATIONS. THERE IS NO DOUBT THAT THE SBA'S VETERAN PROGRAMS HAVE MADE CONSIDERABLE PROGRESS SINCE 1981.

THE FIGURES ARE ENCOURAGING. FOR FISCAL YEAR 1985, MORE THAN 25 PERCENT OF ALL SBA LOANS WENT TO VETERANS AND THE DEFAULT RATE ON THESE LOANS IS BELOW THE AGENCY AVERAGE.

LENDING, HOWEVER, IS NOT THE ONLY PURPOSE OF THE SBA. THE SBA ALSO IS NEEDED TO PROVIDE ASSISTANCE IN ACCOUNTING, FORMULATION OF BUSINESS PLANS, MARKETING, AND OTHER BASIC BUSINESS SKILLS.

PROGRESS IN VETERAN PROGRAMS HAS TAKEN ON A SLOWER PACE IN RECENT MONTHS. I REALIZE MUCH OF THIS SLOWDOWN MAY BE DUE TO THE PROPOSED ELIMINATION OF THE SBA AND THE DEATH OF OFFICE OF VETERANS AFFAIRS DIRECTOR STEPHEN MOLLETT. BUT, WHILE THIS MAY EXPLAIN SOME OF THE SLOWDOWN, IT CANNOT BE USED AS AN EXCUSE. MANY OF THE VETERAN PROGRAMS INITIAL GOALS

HAVE FAILED TO REACH FRUITION AND MANY EXISTING PROJECTS ARE FAST BECOMING OUTDATED.

VETERAN LENDING HAS DECREASED DRAMATICALLY, AN UPDATED VERSION OF THE VETERAN HANDBOOK HAS YET TO BE PUBLISHED, AND VETERAN PROGRAM REGULATIONS STILL HAVE NOT BEEN PUBLISHED. THE FREQUENCY OF VETERAN WORKSHOPS HAS ALSO DECREASED.

IT IS IMPERATIVE THAT A NEW DIRECTOR BE APPOINTED AND STABILITY RESTORED TO THE OFFICE OF VETERANS AFFAIRS. OVER THE PAST SEVERAL MONTHS, THE VETERANS AFFAIRS PROGRAM HAS LACKED THE DIRECTION AND INITIATIVE WHICH A PERMANENT DIRECTOR CAN PROVIDE.

WE HAVE COME TOO FAR TO ALLOW THESE PROGRAMS TO DIE ON THE VINE. STEPS MUST BE TAKEN TO INJECT NEW LIFE INTO THESE PROGRAMS. I SUPPORT THE EFFORTS OF THE SBA VETERAN PROGRAMS, BUT I BELIEVE WE MUST SHOW RENEWED SUPPORT IN ORDER FOR THESE PROGRAMS TO SUCCEED.

SUPPORT FOR THE SBA'S VETERAN PROGRAMS IS SUPPORT FOR SMALL BUSINESS. SUPPORT FOR SMALL BUSINESS IS SUPPORT FOR A STRONG ECONOMY. IT IS MY HOPE THAT THIS HEARING WILL PROVIDE THE PROPER FORUM FOR THE EXCHANGE OF IDEAS NECESSARY TO GET THESE PROGRAMS MOVING ONCE AGAIN.

THANK YOU, MR. CHAIRMAN.

The CHAIRMAN. Thank you very much, Senator D'Amato. Senator Kasten.

STATEMENT OF HON. BOB KASTEN, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KASTEN. Mr. Chairman, thank you. I just want to say that I think it is important that the committee examine the various services provided by the Small Business Administration to the veterans community with regard for the mandate which this committee and both Houses of Congress have given to the SBA to provide special consideration. I think what we have to do is be sure that that commitment that was made by all of us to the veterans seeking business opportunities is in fact being honored.

The point of these hearings is to be sure that is the fact. So, I am pleased to be here. The special consideration given to veterans is something that has strong bipartisan and bicameral support, and I think it is important that we have oversight hearings to be sure that in fact what Congress has intended is taking place out there in the field.

So, I commend you, Mr. Chairman, for having these hearings, and I look forward to participating in them.

The CHAIRMAN. Thank you very much, Senator Kasten. Senator Tribble.

Senator TRIBBLE. Mr. Chairman, I, too, applaud your leadership, and I look forward to hearing from the witnesses today.

The CHAIRMAN. Senator Gorton.

Senator GORTON. I have no opening statement, but these hearings are an important subject, Mr. Chairman, and it is appropriate that we go forward with them.

The CHAIRMAN. Thank you very much.

Is Senator Rockefeller here? I know he had business on the floor, and he might have been delayed for a few minutes. Why don't we proceed, then, with our first witness who is Marshall Parker, Associate Deputy Administrator for Special Programs of the Small Business Administration. He is accompanied by Leon Bechet of the SBA's Office of Veterans Affairs.

At this time, what I would like to do is turn the gavel over to my good friend, Senator Kerry, who has given impetus to these hearings.

Marshall, it is good to have you here and why don't you proceed. Your statement and the statements of all witnesses will be included in their entirety in the record. I think it would be helpful if all could synopsize their thoughts in order that the panel might have the opportunities on Q&A which I think is far more enlightening for the record.

STATEMENT OF MARSHALL J. PARKER, ASSOCIATE DEPUTY ADMINISTRATOR FOR SPECIAL PROGRAMS, SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY LEON J. BECHET, OFFICE OF VETERANS AFFAIRS, SBA

Mr. PARKER. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee, I want to thank you for the opportunity to testify before you today regarding the

Small Business Administration's veteran program, its past activities, and its future goals. I would like to particularly thank the chairman and members of the Senate Small Business Committee for their outstanding and loyal support of the Small Business Administration in all of its programs and in our efforts of dealing with the veterans.

Appearing with me today is the Acting Director of the Office of Veterans Affairs, Leon J. Bechet.

I would like to make two statements to begin with before I go into a summary of the testimony. One is: I want to make it crystal clear that, as far as the Small Business Administration and the Administration are concerned, our commitment to the well being of veterans is total and that it is nonnegotiable. It is firm and one that will stand.

Second, SBA is a business assistance agency. It is not a benefit or entitlement or grant agency such as VA or HHS. It is a business assistance agency and it is in that direction that we have fashioned our program.

The enactment of Public Law 93-237 on January 2, 1974, provided the statutory basis for the SBA to give special consideration to veterans.

Early in 1981, recognizing the need to make additional progress in assisting veterans, the Administrator of SBA created a task force on special consideration for veterans. The task force was composed of representatives from veteran organizations, other Federal agencies, and SBA's top management.

Mr. Chairman, I would like to express my appreciation and that of the Administrator for the outstanding cooperation we received from all of the organizations that we worked with, the veterans organizations as well as the Federal agencies, and for their leadership, the leadership that they helped to furnish in fashioning the program that we have followed for these last 3 years.

The task force issued a report to the Administrator containing 29 specific recommendations. Administrator Sanders reviewed the recommendations and incorporated most in a policy statement of May 14, 1982 in which he directed the agency to undertake new initiatives aimed at assisting veterans in business. I have attached a copy of the Administrator's policy statement for the committee's review and reference with my full statement.

In that policy statement, Mr. Sanders ordered the establishment of an Office of Veterans Business Enterprise which was later renamed the Office of Veterans Affairs.

What is special consideration? Special consideration includes:

Developing special veteran training programs;

Creating an advisory committee on veterans business affairs and working subcommittees;

Serving as liaison on behalf of veterans with other agencies and State governments;

Implementing a direct loan program for Vietnam era and disabled veterans;

Processing veteran loan applications on a priority basis;

Funding a major research program designed to assess the economic condition, self-employment aspirations, and the business skill needs of veterans;

Identifying and training veterans affairs officers—VAO's they are called—in every district and major branch office; and

Providing specialized publications for veterans and those VAO's.

While special consideration means substantial outreach efforts and prompt attention to veterans' needs, it is not designed to give veterans an unfair competitive advantage over nonveteran business owners. SBA direct loan programs for veterans bears the same interest rate and uses the same eligibility criteria as does the regular business loan program. The SBA must provide special consideration while also adhering to the statutory mandate which requires that loans can only be made if there exists reasonable ability to repay.

Given the current Federal deficit, this approach is necessary in serving the needs of veterans and other small business owners. SBA seeks to assure Federal dollars are spent wisely, its programs are efficiently operated, and the desired results are achieved.

The Small Business Administration delivers services to the veteran business community through a field structure of 10 regional and 79 district and branch veterans affairs offices. The duties of those veterans affairs officers are performed in addition to their ongoing job responsibilities. Supporting the field is a central office staff of three permanent full-time professional employees and a clerical staff.

The district veterans affairs officer maintains a schedule of special outreach conferences and seminars and other meetings for veterans in his geographical area, works closely with veteran groups to develop programs that best serve the veteran, counsels veterans on a one on one basis, coordinates other agency resources to most effectively assist veterans, and reports on these activities to the regional veterans affairs officer.

Through formalized annual agreements with SBA resources like SCORE, SBDC's, and SBI's, we have expanded our capacity to conduct specialized training and counseling sessions specifically for veterans on a nationwide basis. These annual internal planning documents spell out exactly the training and counseling services our resources should provide veterans.

Mr. Chairman, let me highlight some of the Veterans Affairs Office's accomplishments and initiatives in 1985:

We continued our special outreach training programs for veterans. We conducted 154 conferences of workshops specifically for veterans during fiscal year 1985.

We piloted a franchising conference in Orlando, FL, recently.

We received the final reports on most of our research studies and are now in the process of analyzing these findings to determine their impact on our fiscal year 1986 program.

We began a study of the veterans business resource councils.

We contacted the Governors of all 50 States seeking data on the number of veterans and veteran owned businesses in each State, thus identifying a veterans contact person in each Governor's office.

We began developing a national disabled veterans training effort in cooperation with various veterans groups.

We met regularly with our National Veterans Advisory Committee and its working subcommittees to seek advice on program direction.

We began studying, in cooperation with the U.S. Department of Labor, the South Carolina Technical Education System, and the South Carolina Employment Security Commission, a unique 2-year entrepreneurial training pilot proposal aimed at establishing veterans in business in South Carolina. If this pilot proves cost effective, a more expanded program is possible in fiscal year 1986.

And we rewrote and greatly expanded the veterans handbook, an important guide to SBA services, as well as a business primer.

Mr. Chairman, we were able to accomplish many of these programs with the cooperation of private sector resources and with the help of a number of volunteer groups and individuals. We feel a key to the success of our veterans program has been our ability to leverage our valued outside resources. We have delivered this level of programming while trying to combat the Federal deficit through the judicious use of our resources.

SBA provides training and counseling services to veterans just as it does to other small business owners. In addition to these regular training activities, the Office of Veterans Affairs conducts training activities specifically for veterans.

In 1984, the Small Business Administration put on 32 major conferences throughout the country attended by nearly 10,000 veterans, an effort widely acclaimed nationwide. Of the 154 that I just mentioned, 12 conferences, for example, have been conducted in West Virginia. These conferences, part of our continuing outreach efforts, were considered very useful by those veterans in attendance.

Working with State, local, and volunteer veteran organizations is the key to a successful conference. The pilot program in Orlando, FL was conducted with the cooperation of the Florida congressional delegation, Florida county service offices, and local veterans groups. This franchise and business opportunities conference, a pilot we hope to replicate around the country, was attended by over 350 veterans and was generally well received.

Another major special consideration emphasis has been our veterans research program. In September 1983, the Small Business Administration approved \$885,000 for funding of 11 studies on the economic condition, business aspirations, and management training needs of America's 28 million veterans.

Our research should provide us a host of information not previously compiled, including among other data, the number of veteran-owned businesses, their locations, industries they represent, revenues generated, demographic characteristics of the veteran business owners, why and how veterans choose the self-employment option, management training needs of veterans, opinions our veterans have of our services in SBA, financial differences between veteran and nonveteran owned businesses, economic impact of military service on future wage income, repayment rate of veterans on SBA loans and how veteran owned businesses performed on Department of Defense contracts.

The result of much of this research is presently being analyzed. This research should help provide the Office of Veterans Affairs

with a roadmap for the future. The direction of our programs will reflect the results of our research, I am sure. The results of our studies will enable us to determine where our efforts and resources should be directed among the areas of procurement, finance, and management assistance.

On November 3, 1981, the Congress enacted Public Law 97-72 which created a business loan program specifically for Vietnam era and disabled veterans. These direct loan funds are, in effect, a pool of money to be drawn from when no other private or guaranteed money is available to a veteran who nevertheless meets SBA's regular business loan qualifications.

Over the last 3 years, all veterans have received nearly \$122 million in direct loans. Vietnam-era veterans have received over \$81 million of that \$122 million. This is in addition to the \$1.9 billion received by veterans over the last 3 years in guaranteed loans. Last year, the Small Business Administration lent about \$8 million of the \$25 strictly set aside for veterans. This is due to the fact that funding through guaranteed loans and private sources was sufficiently available to veterans who sought business loans. As noted earlier, qualified veterans have not been denied an SBA loan due to lack of agency funding.

Now I would like to discuss two other programs briefly. Though not elements of special consideration, they have a high level of veterans participation.

The first is the guaranteed loan program. In addition to direct business loans, veterans can participate in our regular program of loans through the guaranteed method. Veterans participation has doubled since fiscal year 1980, going from 12.4 percent to nearly one-quarter of all guaranteed loans that we make total in this country.

It is interesting to note that the percentage of veterans loans in liquidation is lower than for the portfolio as a whole, indicating that veterans perform better than nonveterans when it comes to repaying SBA loans.

The SBA surety bond program allowed veteran owned business in fiscal year 1985 to win over \$323 million in contracts they otherwise would not have received. This accounts for 33 percent of all contracts awarded under this program. Vietnam-era veterans accounted for 8 percent of those contracts. Incidentally, the average contract for veterans was \$110,000.

In 1986, we intend to continue to exhibit great activity and innovation. Some of our additional 1986 veterans programs are:

Program impact measurement. Although we can provide quantitative measurement of Office of Veterans Affairs activities, a thorough evaluation of the quality of that assistance has never been undertaken. We are now developing tools, techniques, and the methodology to measure their economic impact. We are talking about revenues earned, jobs created, and taxes paid attributable to the programs offered by the Office of Veterans Affairs.

In program monitoring, we will systematically analyze all information on regular and direct loans to veterans to determine loan activity by district office, repayment rates, and the use of the direct loan program. Our action plan will be expanded to see that all of

our programs are carried on through our agreements with our private resources.

Leveraging SBA resources will be expanded in the manner that I explained earlier.

Handicapped veterans training. With the cosponsorship of veterans and disabled veterans organizations, the Office of Veterans Affairs plans a national disabled veterans training program. Its goal is to offer self-employment and home based employment as options to disabled veterans. The Department of Labor's Office of Veterans Employment Services and the VA also are being consulted on this project. SBA's study, "Businesses That Can Be Owned and Operated by Handicapped Veterans," will be used in this particular pilot.

Another endeavor will be the National Veterans Advisory Committee recommendations. These recommendations presented at the August 25 meeting of the advisory committee are now being reviewed by the Administrator for adoption.

Construction industry conference. With the cooperation of SBA's private sector initiatives office, we will conduct a pilot conference for veterans who are interested in starting a small construction business or expanding their existing construction businesses. Funding for that pilot will come from the SBA and private sponsors who want to encourage the development of veteran owned construction firms.

In closing, Mr. Chairman, the Small Business Administration has not diminished its commitment to veterans in any form, shape, or way. Our commitment is as strong as ever. It is and remains a firm and irrevocable commitment to action. I think that the accomplishments that I have enumerated reflect a full mobilization of resources, both of Government and of the private sector, to make special considerations for veterans a reality.

This commitment prompts us to make specific decisions addressed toward a meaningful and cost effective program for veterans rather than simply spending because there is money available.

Mr. Chairman and members of the committee, this concludes my prepared statement. I will be glad to respond to any questions that you may have.

[The prepared statement of Mr. Parker follows:]



STATEMENT OF
MARSHALL J. PARKER,
ASSOCIATE DEPUTY ADMINISTRATOR
FOR SPECIAL PROGRAMS,
SMALL BUSINESS ADMINISTRATION,
BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NOVEMBER 13, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY REGARDING THE SMALL BUSINESS ADMINISTRATION'S (SBA) VETERAN PROGRAM, ITS PAST ACTIVITIES, AND ITS FUTURE GOALS. APPEARING WITH ME IS THE ACTING DIRECTOR OF THE OFFICE OF VETERANS AFFAIRS, LEON J. BECHET.

BRIEF HISTORY OF THE VETERANS PROGRAM

THE ENACTMENT OF PUBLIC LAW 93-257 ON JANUARY 2, 1974 PROVIDED THE STATUTORY BASIS FOR THE SBA TO GIVE "SPECIAL CONSIDERATION" TO VETERANS. UNFORTUNATELY, BETWEEN 1974 AND 1980 LITTLE WAS DONE TO GIVE EFFECT TO THIS LAW, AND, IN 1980 AND 1981, FIVE CONGRESSIONAL HEARINGS WERE HELD TO REVIEW THE SBA'S IMPLEMENTATION OF THE "SPECIAL CONSIDERATION" MANDATE.

EARLY IN 1981, RECOGNIZING THE NEED TO MAKE ADDITIONAL PROGRESS IN ASSISTING VETERANS, THE ADMINISTRATOR OF SBA CREATED A TASK FORCE ON SPECIAL CONSIDERATION FOR VETERANS. THE TASK FORCE WAS COMPOSED OF REPRESENTATIVES FROM VETERAN ORGANIZATIONS, OTHER FEDERAL AGENCIES, AND SBA'S TOP MANAGEMENT. AFTER MEETING AND DELIBERATING FOR A YEAR, THE TASK FORCE ISSUED A REPORT TO THE ADMINISTRATOR CONTAINING 29 SPECIFIC RECOMMENDATIONS.

ADMINISTRATOR SANDERS REVIEWED THESE RECOMMENDATIONS AND INCORPORATED MOST IN A POLICY STATEMENT OF MAY 14, 1982, IN WHICH HE DIRECTED THE AGENCY TO UNDERTAKE NEW INITIATIVES AIMED AT ASSISTING VETERANS IN BUSINESS. I HAVE ATTACHED A COPY OF THE ADMINISTRATOR'S POLICY STATEMENT FOR THE COMMITTEE'S REFERENCE. IN THAT POLICY STATEMENT, MR. SANDERS ORDERED THE ESTABLISHMENT OF AN OFFICE OF VETERANS BUSINESS ENTERPRISE, WHICH WAS LATER RENAMED THE OFFICE OF VETERANS AFFAIRS (OVA), TO PROVIDE OVA WITH BETTER ACCESS TO SBA'S PROGRAM AREAS AND TO INCREASE ITS VISIBILITY WITHIN THE ORGANIZATION. THE OFFICE WAS SUBSEQUENTLY STRUCTURED UNDER THE ASSOCIATE DEPUTY ADMINISTRATOR FOR SPECIAL PROGRAMS.

THE MEANING OF SPECIAL CONSIDERATION

THE REGULATIONS WHICH THE SBA HAS ESTABLISHED IN ORDER TO PROVIDE SPECIAL CONSIDERATION TO VETERANS ARE LISTED IN PART

116 OF CHAPTER 13 OF THE CODE OF FEDERAL REGULATIONS. IN ADDITION TO THESE REGULATIONS, SPECIAL CONSIDERATION INCLUDES:

- o DEVELOPING SPECIAL VETERAN TRAINING PROGRAMS;
- o CREATING AN ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS AND WORKING SUBCOMMITTEES;
- o SERVING AS LIAISON ON BEHALF OF VETERANS WITH OTHER AGENCIES AND STATE GOVERNMENTS;
- o IMPLEMENTING A DIRECT LOAN PROGRAM FOR VIETNAM-ERA AND DISABLED VETERANS;
- o PROCESSING VETERAN LOAN APPLICATIONS ON A PRIORITY BASIS;
- o FUNDING A MAJOR RESEARCH PROGRAM DESIGNED TO ASSESS THE ECONOMIC CONDITION, SELF-EMPLOYMENT ASPIRATIONS, AND THE BUSINESS SKILL NEEDS OF VETERANS;
- o IDENTIFYING AND TRAINING VETERANS AFFAIRS OFFICERS (VAOS) IN EVERY DISTRICT AND MAJOR BRANCH OFFICE; AND,
- o PROVIDING SPECIALIZED PUBLICATIONS FOR VETERANS AND VAOS.

WHILE SPECIAL CONSIDERATION MEANS SUBSTANTIAL OUTREACH EFFORTS AND PROMPT ATTENTION TO VETERANS' NEEDS. IT IS NOT DESIGNED TO GIVE VETERANS AN UNFAIR COMPETITIVE ADVANTAGE OVER NON-VETERAN BUSINESS OWNERS. SBA'S DIRECT LOAN PROGRAM FOR VETERANS BEARS THE SAME INTEREST RATE AND USES THE SAME ELIGIBILITY CRITERIA AS DOES THE REGULAR BUSINESS LOAN PROGRAM.

VETERANS AS A GROUP ARE NOT DEFINED AS "SOCIALY AND ECONOMICALLY DISADVANTAGED" UNDER THE 8(A) PROCUREMENT PROGRAM. THERE ARE NO SET-ASIDE CONTRACTS IN FEDERAL AGENCIES EXCLUSIVELY FOR VETERAN-OWNED BUSINESSES. IN OTHER WORDS, MR. CHAIRMAN, "SPECIAL CONSIDERATION" DOES NOT PERMIT MAKING A BAD LOAN, LOWERING THE INTEREST RATE, GUARANTEEING PROCUREMENT CONTRACTS, OR PERMIT LENDING TO AN OTHERWISE INELIGIBLE APPLICANT. THE SBA MUST PROVIDE SPECIAL CONSIDERATION WHILE ALSO ADHERING TO THE STATUTORY MANDATE WHICH REQUIRES THAT LOANS CAN ONLY BE MADE IF THERE EXISTS AN ABILITY TO REPAY. GIVEN THE CURRENT FEDERAL DEFICIT THIS APPROACH IS NECESSARY IN SERVING THE NEEDS OF VETERANS AND OTHER SMALL BUSINESS OWNERS. SBA MUST SEEK TO ASSURE FEDERAL DOLLARS ARE SPENT WISELY. ITS PROGRAMS ARE EFFICIENTLY OPERATED AND THE DESIRED RESULTS ARE ACHIEVED.

IN ADDITION TO PROVIDING SERVICES THROUGH OVA, THE SBA PROVIDES A RANGE OF MANAGEMENT ASSISTANCE SERVICES TO ALL BUSINESSES. SUCH SERVICES ARE, OF COURSE, AVAILABLE TO VETERANS WHO WISH TO START A BUSINESS OR WHO WISH TO EXPAND AN EXISTING BUSINESS.

THE OFFICE OF VETERANS AFFAIRS

SBA DELIVERS SERVICES TO THE VETERAN BUSINESS COMMUNITY THROUGH A FIELD STRUCTURE OF 10 REGIONAL AND 79 DISTRICT AND BRANCH OFFICE VAOs. THE VETERAN'S AFFAIRS DUTIES OF THE VAOs ARE PERFORMED IN ADDITION TO THEIR ONGOING JOB RESPONSIBILITIES. SUPPORTING THE FIELD IS A CENTRAL OFFICE STAFF OF THREE PERMANENT FULL-TIME PROFESSIONAL EMPLOYEES AND A CLERICAL STAFF.

THE VAO IS THE DISTRICT DIRECTOR'S LIAISON WITH THE VETERAN COMMUNITY. MANY OF OUR VAOS ARE VETERANS. THEY ARE THE PRINCIPAL, AND OFTEN THE FIRST CONTACT A VETERAN HAS WITH THE SBA.

1 THE DISTRICT VAO MAINTAINS A SCHEDULE OF SPECIAL OUTREACH CONFERENCES, SEMINARS, AND OTHER MEETINGS FOR VETERANS IN HIS GEOGRAPHICAL AREA. WORKS CLOSELY WITH VETERAN GROUPS TO DEVELOP PROGRAMS THAT BEST SERVE THE VETERAN. COUNSELS VETERANS ON A ONE-ON-ONE BASIS. COORDINATES OTHER AGENCY RESOURCES TO MOST EFFECTIVELY ASSIST VETERANS. AND REPORTS ON THESE ACTIVITIES TO THE REGIONAL VAOS. THROUGH FORMALIZED ANNUAL AGREEMENTS WITH SBA RESOURCES LIKE SENIOR CORE OF RETIRED EXECUTIVES (SCORE), SMALL BUSINESS DEVELOPMENT CENTERS (SBDC), AND SMALL BUSINESS INSTITUTES (SBI), WE HAVE EXPANDED OUR CAPACITY TO CONDUCT SPECIALIZED TRAINING AND COUNSELING SESSIONS SPECIFICALLY FOR VETERANS ON A NATIONWIDE BASIS. THESE ANNUAL, INTERNAL

PLANNING DOCUMENTS SPELL OUT EXACTLY THE TRAINING AND COUNSELING SERVICES OUR RESOURCES WILL PROVIDE VETERANS. WE HAVE ATTACHED A COPY OF THE BLUEPRINTS AND MODULES FOR FY 86. THIS INCREASED UTILIZATION OF EXISTING AGENCY RESOURCES GREATLY ENHANCES THE VAO'S ABILITY TO PROVIDE SERVICES TO THE VETERAN COMMUNITY.

THE CENTRAL OFFICE DIRECTS AND SUPPORTS THE VAOS BY MAINTAINING CLOSE COMMUNICATION AND PROVIDING NECESSARY RESOURCES. OVA MONITORS FIELD OFFICE ACTIVITY AND MAINTAINS ONGOING CONTACT WITH THE NATIONAL VETERAN ORGANIZATIONS. OUR FEEDBACK TO THE ADMINISTRATOR FORMS THE BASIS FOR HIS POLICY DECISIONS ON THE DIRECTION THE PROGRAM SHOULD TAKE.

FISCAL YEAR 86 PROGRAM ACTIVITIES

MR. CHAIRMAN, I WOULD LIKE TO DISCUSS THE ACCOMPLISHMENTS OF OUR VETERAN PROGRAM IN FY 85. OVA HAS AN ORGANIZATION THAT PROVIDES THE VETERAN COMMUNITY WITH A WIDE VARIETY BUSINESS ASSISTANCE. LET ME HIGHLIGHT SOME OF OVA'S ACCOMPLISHMENTS AND INITIATIVES:

- o WE CONTINUED OUR SPECIAL OUTREACH TRAINING PROGRAMS FOR VETERANS, CONDUCTING 154 CONFERENCES OR WORKSHOPS DURING FY 85;

- o WE PILOTTED A FRANCHISING CONFERENCE IN ORLANDO, FLORIDA WHICH WILL BE USED AS A MODEL FOR A SERIES OF FRANCHISING CONFERENCES THROUGHOUT THE COUNTRY IN FY 86;
- o WE RECEIVED THE FINAL REPORTS ON MOST OF OUR RESEARCH STUDIES AND ARE NOW IN THE PROCESS OF ANALYZING THE FINDINGS TO DETERMINE THEIR IMPACT ON OUR FY 86 PROGRAM. I WILL DISCUSS THESE STUDIES IN MORE DETAIL LATER IN MY TESTIMONY;
- o WE BEGAN A STUDY OF THE VETERANS BUSINESS RESOURCE COUNCILS;
- o WE CONTACTED THE GOVERNORS OF ALL 50 STATES SEEKING DATA ON THE NUMBER OF VETERANS AND VETERAN-OWNED BUSINESSES IN EACH STATE, THUS IDENTIFYING A VETERANS CONTACT PERSON IN EACH GOVERNOR'S OFFICE;
- o WE BEGAN DEVELOPING A NATIONAL DISABLED VETERANS TRAINING EFFORT IN COOPERATION WITH VARIOUS VETERANS GROUPS;
- o WE MET REGULARLY WITH OUR NATIONAL VETERANS ADVISORY COMMITTEE AND ITS WORKING SUBCOMMITTEES TO SEEK ADVICE ON PROGRAM DIRECTION;
- o WE ARE STUDYING, IN COOPERATION WITH THE U.S. DEPARTMENT OF LABOR, THE SOUTH CAROLINA TECHNICAL EDUCATION SYSTEM, AND THE SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION -- A

UNIQUE TWO-YEAR ENTREPRENEURIAL TRAINING PILOT PROPOSAL AIMED AT ESTABLISHING VETERANS IN BUSINESS IN SOUTH CAROLINA. IF THIS PILOT PROVES COST EFFECTIVE, A MORE EXPANDED PROGRAM IS POSSIBLE IN FY 1986; AND.

- o WE REWROTE AND GREATLY EXPANDED THE VETERANS HANDBOOK, AN IMPORTANT GUIDE TO SBA SERVICES, AS WELL AS A BUSINESS PRIMER.

MR. CHAIRMAN, WE WERE ABLE TO ACCOMPLISH MANY OF THESE PROGRAMS WITH THE COOPERATION OF PRIVATE SECTOR RESOURCES AND WITH THE HELP OF A NUMBER OF VOLUNTEER GROUPS AND INDIVIDUALS. WE FEEL A KEY TO THE SUCCESS OF OUR VETERANS PROGRAM HAS BEEN OUR ABILITY TO LEVERAGE OUR VALUED OUTSIDE RESOURCES. WE HAVE DELIVERED THIS LEVEL OF PROGRAMING WHILE TRYING TO COMBAT THE FEDERAL DEFICIT THROUGH THE JUDICIOUS USE OF OUR RESOURCES.

SBA TRAINING AND COUNSELING ACTIVITIES FOR VETERANS

MR. CHAIRMAN, IT IS IMPORTANT TO ELABORATE ON OUR TRAINING, RESEARCH, AND DIRECT LOAN ACTIVITIES IN THE PAST YEAR AND TO EXPLAIN THE IMPACT THAT SOME OF OUR REGULAR PROGRAMS HAD ON VETERANS THIS PAST YEAR.

SBA PROVIDES TRAINING AND COUNSELING SERVICES TO VETERANS AS IT DOES FOR ALL SMALL BUSINESS OWNERS. WITH THE IMPLEMENTATION OF

THE POLICY OF SPECIAL CONSIDERATION FOR VETERANS. SBA'S OFFICE OF MANAGEMENT ASSISTANCE BEGAN TO TABULATE SEPARATELY THE NUMBER OF VETERAN CLIENTS ASSISTED. IN FY 85, 40,451 VETERANS RECEIVED COUNSELING (20% OF THE TOTAL NUMBER COUNSELED) AND 94,571 VETERANS (19% OF THE TOTAL) WENT THROUGH SBA BUSINESS TRAINING. THESE FIGURES INCLUDE BOTH REGULARLY SCHEDULED AND SPECIAL OUTREACH TRAINING AND COUNSELING.

IN ADDITION TO THESE REGULAR TRAINING ACTIVITIES, OVA CONDUCTS TRAINING ACTIVITIES SPECIFICALLY FOR VETERANS. IN FY 84, SBA PUT ON 32 MAJOR CONFERENCES THROUGHOUT THE COUNTRY ATTENDED BY NEARLY 10,000 VETERANS. AS PREVIOUSLY MENTIONED, DURING FY 85, SBA FIELD OFFICES CONDUCTED 154 SPECIAL VETERAN OUTREACH CONFERENCES, SEMINARS, AND WORKSHOPS ON VARIOUS BUSINESS TOPICS. TWELVE OF THESE CONFERENCES, FOR EXAMPLE, WERE CONDUCTED IN WEST VIRGINIA. THESE CONFERENCES, PART OF OUR CONTINUING OUTREACH EFFORTS, WERE CONSIDERED VERY USEFUL BY THOSE VETERANS IN ATTENDANCE.

WORKING WITH STATE, LOCAL, AND VOLUNTEER VETERAN ORGANIZATIONS IS THE KEY TO A SUCCESSFUL CONFERENCE. THE PILOT PROGRAM IN ORLANDO, FLORIDA WAS CONDUCTED WITH THE COOPERATION OF THE FLORIDA CONGRESSIONAL DELEGATION, FLORIDA COUNTY VETERANS SERVICE REPRESENTATIVES, AND LOCAL VETERAN GROUPS. THIS FRANCHISE AND BUSINESS OPPORTUNITIES CONFERENCE WAS ATTENDED BY

350 VETERANS AND WAS GENERALLY WELL RECEIVED. DRAWING FROM THE EXPERIENCES OF THIS CONFERENCE, OVA IS DEVELOPING A PRACTICAL "HOW TO" BOOK TO HELP VAOS CONDUCT SIMILAR CONFERENCES IN THEIR DISTRICTS.

OVA RESEARCH ON VETERANS

ANOTHER MAJOR SPECIAL CONSIDERATION EMPHASIS HAS BEEN OUR VETERANS RESEARCH PROGRAM. IN SEPTEMBER 1983, SBA APPROVED \$885,440 FOR FUNDING OF 11 STUDIES ON THE ECONOMIC CONDITION, BUSINESS ASPIRATIONS, AND MANAGEMENT TRAINING NEEDS OF AMERICA'S 23 MILLION VETERANS.

OUR RESEARCH SHOULD PROVIDE US A HOST OF INFORMATION NOT PREVIOUSLY COMPILED, INCLUDING AMONG OTHER THINGS: THE NUMBER OF VETERAN-OWNED BUSINESSES, THEIR LOCATIONS, INDUSTRIES THEY REPRESENT, REVENUES GENERATED, DEMOGRAPHIC CHARACTERISTICS OF VETERAN BUSINESS OWNERS, WHY AND HOW VETERANS CHOOSE THE SELF-EMPLOYMENT OPTION, MANAGEMENT TRAINING NEEDS OF VETERANS, OPINIONS OUR VETERAN CLIENTS HAVE OF OUR SERVICES, FINANCIAL DIFFERENCE BETWEEN VETERAN AND NON-VETERAN-OWNED BUSINESSES, ECONOMIC IMPACT OF MILITARY SERVICE ON FUTURE WAGE INCOME, REPAYMENT RATE ON SBA LOANS BY VETERANS, AND HOW VETERAN-OWNED BUSINESSES PERFORMED ON DEPARTMENT OF DEFENSE (DOD) CONTRACTS. THE RESULT OF MUCH OF THIS RESEARCH IS PRESENTLY BEING ANALYZED.

THIS RESEARCH SHOULD HELP PROVIDE OVA WITH A ROADMAP FOR THE FUTURE. THE DIRECTION OF OUR PROGRAMS WILL REFLECT THE RESULTS OF OUR RESEARCH. RESULTS OF OUR STUDIES WILL ENABLE US TO DETERMINE WHERE OUR EFFORTS AND RESOURCES SHOULD BE DIRECTED AMONG THE AREAS OF PROCUREMENT, FINANCE, AND MANAGEMENT ASSISTANCE.

WE ALREADY HAVE RECEIVED A NUMBER OF INQUIRIES ABOUT OUR STUDIES THOUGH VERY LITTLE HAS BEEN PUBLICLY DISSEMINATED. WITH THE HELP OF SBA'S OFFICE OF ECONOMIC RESEARCH WITHIN THE OFFICE OF ADVOCACY, WE PLAN TO MAKE DIGESTS OF THESE STUDIES AVAILABLE TO INTERESTED ORGANIZATIONS AND TO THE PUBLIC.

SBA'S DIRECT LOAN PROGRAM FOR VETERANS

ON NOVEMBER 3, 1981, THE CONGRESS ENACTED PL 97-72 WHICH CREATED A BUSINESS LOAN PROGRAM SPECIFICALLY FOR VIETNAM-ERA AND DISABLED VETERANS. SINCE 1983, SBA'S APPROPRIATION HAS BEEN EARMARKED TO MAKE DIRECT LOANS AVAILABLE TO THESE VETERANS.

TO BE ELIGIBLE FOR THESE FUNDS, A VETERAN MUST HAVE SERVED ON ACTIVE DUTY FOR MORE THAN 180 DAYS, ANY PART OF WHICH WAS DUTY BETWEEN AUGUST 5, 1964 AND MAY 7, 1975 OR HAVE A VETERANS ADMINISTRATION (VA) RATED DISABILITY OF AT LEAST 30% OR BE ENTITLED TO DISABILITY COMPENSATION FROM VA.

THESE DIRECT LOAN FUNDS ARE, IN EFFECT, A POOL OF MONEY TO BE DRAWN FROM WHEN NO OTHER PRIVATE OR GUARANTEED MONEY IS AVAILABLE TO A VETERAN WHO, NONETHELESS, MEETS SBA REGULAR BUSINESS LOAN (7A) QUALIFICATIONS. THE ADMINISTRATIVE LENDING CEILING UNDER PL 97-72 IS \$150,000 PER LOAN.

THE FOLLOWING TABLE SHOWS A BRIEF HISTORY OF SBA'S DIRECT LOAN PROGRAM FOR VETERANS (ALL NUMBERS IN THOUSANDS OF DOLLARS):

	<u>1983</u>	<u>1984</u>	<u>1985</u>
TOTAL SBA DIRECT LOANS	\$125.037	\$145.016	\$129.070
PL 97-72 LOANS TO VIETNAM-ERA VETERANS	8.411	19.847	8.654
OTHER DIRECT LOANS TO VIETNAM-ERA VETERANS	9.629	22.812	11.874
DIRECT LOANS TO OTHER VETERANS	15.122	15.056	10.467
TOTAL SBA DIRECT LOANS MADE TO VETERANS	33.162	55.715	30.975

AS PRESENTED IN THE TABLE, OVER THE LAST THREE YEARS ALL VETERANS HAVE RECEIVED NEARLY \$122 MILLION IN DIRECT LOANS. VIETNAM-ERA VETERANS RECEIVED OVER \$81 MILLION OF THE \$122 MILLION. THIS IS IN ADDITION TO THE \$1.9 BILLION RECEIVED BY VETERANS OVER THE LAST 3 YEARS IN GUARANTEED LOANS. LAST YEAR THE SBA LENT ABOUT \$8 MILLION OF THE \$25 MILLION AVAILABLE THROUGH PL 97-72 FOR DIRECT LENDING. THIS IS DUE TO THE FACT THAT FUNDING THROUGH GUARANTEED LOANS AND PRIVATE SOURCES WAS SUFFICIENTLY AVAILABLE TO VETERANS WHO SOUGHT BUSINESS LOANS. NO QUALIFIED VETERAN HAS BEEN DENIED AN SBA LOAN DUE TO LACK OF AGENCY FUNDING.

I WOULD LIKE TO DISCUSS TWO OTHER SBA PROGRAMS. THE GUARANTEED LOAN AND THE SURETY BOND PROGRAMS WHICH, THOUGH NOT ELEMENTS OF SPECIAL CONSIDERATION, HAVE A HIGH LEVEL OF VETERANS PARTICIPATION.

GUARANTEED LOAN PROGRAM

IN ADDITION TO DIRECT BUSINESS LOANS, VETERANS CAN PARTICIPATE IN OUR REGULAR GUARANTEED BUSINESS LOAN PROGRAM. THE FOLLOWING TABLE SHOWS A BRIEF HISTORY OF VETERAN PARTICIPATION IN THIS PROGRAM.

GUARANTEED LOANS (7A) (IN MILLIONS OF DOLLARS):

FISCAL YEAR	TOTAL LOANS	TOTAL TO VETERANS	% TO VETERANS
1980	\$3,033	\$379	12.4%
1981	2,902	504	17.4
1982	1,629	358	21.9
1983	2,439	612	25.1
1984	2,858	574	23.6
1985	2,657	609	22.9

VETERANS' PARTICIPATION IN SBA'S REGULAR GUARANTEED BUSINESS LOAN PROGRAM HAS DOUBLED SINCE FY 80, GOING FROM 12.4% TO NEARLY ONE-QUARTER OF GUARANTEED LOANS NOW GOING TO VETERANS.

IN ADDITION TO THE NEARLY 25% PARTICIPATION RATE BY VETERANS IN OUR GUARANTEED LOAN PROGRAMS, VETERANS HAVE A 17% PARTICIPATION RATE IN SBA'S OVERALL OUTSTANDING LOAN PORTFOLIO AS OF

SEPTEMBER 30, 1985. THIS OVERALL PARTICIPATION RATE ALSO HAS INCREASED IN RECENT YEARS. IT IS INTERESTING TO NOTE, THAT THE PERCENTAGE OF VETERAN LOANS IN LIQUIDATION IS LOWER THAN FOR THE PORTFOLIO AS A WHOLE, INDICATING THAT VETERANS PERFORM BETTER THAN NON-VETERANS WHEN IT COMES TO REPAYING SBA LOANS.

SURETY BOND GUARANTEE PROGRAM

OFTEN A SMALL COMPANY HAS DIFFICULTY IN WINNING A COMMERCIAL CONTRACT BECAUSE OF DOUBTS ABOUT ITS ABILITY TO MEET CONTRACT SPECIFICATIONS. COMMERCIAL SURETY COMPANIES, FOR A FEE, BOND THE SMALL BUSINESS AND INSURE THE CONTRACTOR AGAINST LOSSES IF THE SMALL FIRM DEFAULTS. SBA CAN GUARANTEE SURETY COMPANIES AGAINST LOSSES OF UP TO \$1,000,000 ON BEHALF OF A QUALIFIED SMALL BUSINESS. SBA COLLECTS A FEE FROM THE SMALL BUSINESS FOR THIS SERVICE.

THIS PROGRAM ALLOWED VETERAN-OWNED BUSINESSES IN FY 85 TO WIN OVER \$325 MILLION IN CONTRACTS THEY OTHERWISE WOULD NOT HAVE RECEIVED. THIS ACCOUNTS FOR 33% OF ALL CONTRACTS AWARDED UNDER THIS PROGRAM. VIETNAM-ERA VETERANS ACCOUNTED FOR 3% OF THE CONTRACTS. THE AVERAGE CONTRACT FOR VETERANS WAS \$110,000.

DUE TO THE STRONG VETERAN PARTICIPATION IN THIS PROGRAM, WE INCLUDED A DESCRIPTION OF THIS PROGRAM IN OUR VETERANS HANDBOOK.

FY 83 PROGRAM ACTIVITIES AND GOALS

IN 1983 WE INTEND TO CONTINUE OUR PROGRESSION SO THAT THE VETERANS PROGRAM WILL CONTINUE TO EXHIBIT GREATER ACTIVITY AND MORE INNOVATION. I ALREADY HAVE DESCRIBED A NUMBER OF OUR 1986 PROGRAM INITIATIVES EARLIER IN MY TESTIMONY: CONDUCTING SPECIAL OUTREACH TRAINING FOR VETERANS, REVIEWING RESEARCH STUDIES TO DETERMINE FUTURE PROGRAM DIRECTION, TRAINING ALL VAOS, AND IMPLEMENTING VARIOUS PILOT TRAINING PROPOSALS WHERE COST EFFECTIVE. SOME OF OUR ADDITIONAL 1986 VETERANS PROGRAM INITIATIVES ARE:

PROGRAM IMPACT MEASUREMENT - ALTHOUGH WE CAN PROVIDE QUANTITATIVE MEASUREMENT OF OVA ACTIVITY, AN EVALUATION OF THE QUALITY OF ASSISTANCE HAS NOT BEEN UNDERTAKEN. THEREFORE, IN COOPERATION WITH OTHER SBA OFFICES, A SCIENTIFIC MEASUREMENT OF THE FUTURE IMPACT OF OVA MANAGEMENT AND FINANCIAL PROGRAMS WILL BE UNDERTAKEN IN FY 86. THE OFFICE OF MANAGEMENT ASSISTANCE (TO BE RENAMED THE OFFICE OF BUSINESS DEVELOPMENT) CURRENTLY IS IN THE PROCESS OF DEVELOPING AND OBTAINING OMB APPROVAL FOR ECONOMIC IMPACT MEASUREMENT TOOLS AND TECHNIQUES. OVA WILL UTILIZE THESE TOOLS AND TECHNIQUES TO MEASURE THE ECONOMIC IMPACT, I.E., REVENUES EARNED, EMPLOYMENT PRODUCED, TAXES PAID, ETC., ATTRIBUTABLE TO THE OVA PROGRAM.

PROGRAM MONITORING - OVA WILL SYSTEMATICALLY ANALYZE ALL INFORMATION ON REGULAR AND DIRECT BUSINESS LOANS TO VETERANS TO DETERMINE LOAN ACTIVITY BY DISTRICT OFFICE, REPAYMENT RATES, AND THE USE OF THE DIRECT LOAN PROGRAM. ALL FIELD TRAINING ACTIVITIES FOR VETERANS WILL BE RECORDED AND SENT TO CENTRAL OFFICE FOR REVIEW.

LEVERAGING SBA RESOURCES- OVA WILL BE USING SBA RESOURCES LIKE SCORE, SBDC, AND SBI TO EXPAND ITS TRAINING AND COUNSELING SERVICES FOR VETERANS. OVA ALSO WILL UTILIZE SBA'S MARKETING ACTIVITIES TO PROMOTE ITS SERVICES TO THE VETERAN COMMUNITY. OVA CURRENTLY IS "PIGGY BACKING" ON A SERIES OF NINE FRANCHISING CONFERENCES CO-SPONSORED BY SBA AND THE INTERNATIONAL FRANCHISE ASSOCIATION. THIS TRAINING IS BEING PROMOTED THROUGH VETERANS GROUPS, AND VETERANS WILL HAVE SEPARATE BREAKOUT ROOMS WHEN AVAILABLE. THE FIRST CONFERENCE WAS NOVEMBER 1 IN ATLANTA.

HANDICAPPED VETERANS TRAINING - WITH THE CO-SPONSORSHIP OF VETERANS AND DISABLED VETERANS ORGANIZATIONS, OVA PLANS A NATIONAL DISABLED VETERANS TRAINING PROGRAM. ITS GOAL IS TO OFFER SELF-EMPLOYMENT AND HOME BASED EMPLOYMENT AS OPTIONS TO DISABLED VETERANS. THE DEPARTMENT OF LABOR'S OFFICE OF VETERANS EMPLOYMENT SERVICES AND THE VA ALSO ARE BEING CONSULTED ON THE PROJECT. SBA'S STUDY, BUSINESSES THAT CAN BE OWNED AND OPERATED BY HANDICAPPED VETERANS, WILL BE USED IN THIS PILOT.

VETERANS ADVISORY COMMITTEE RECOMMENDATIONS - THE RECOMMENDATIONS OF THE NATIONAL VETERANS ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS AT THE YEAR-END MEETING ON AUGUST 25, 1985 ARE BEING REVIEWED. THESE RECOMMENDATIONS ARE PRESENTLY BEING CAREFULLY REVIEWED.

CONSTRUCTION INDUSTRY CONFERENCE - WITH THE COOPERATION OF SBA'S PRIVATE SECTOR INITIATIVES OFFICE, OVA WILL CONDUCT A PILOT CONFERENCE FOR VETERANS WHO ARE INTERESTED IN STARTING A SMALL CONSTRUCTION BUSINESS OR EXPANDING THEIR EXISTING CONSTRUCTION BUSINESS. FUNDING FOR THE PILOT WILL COME FROM SBA AND PRIVATE SPONSORS WHO WANT TO ENCOURAGE THE DEVELOPMENT OF VETERAN-OWNED CONSTRUCTION FIRMS. THIS WILL BE AN INTENSIVE TWO-DAY CONFERENCE.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, THIS CONCLUDES MY PREPARED STATEMENT. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU HAVE.



United States of America
Small Business Administration
Washington, D.C. 20416

POLICY STATEMENT

By

JAMES C. SANDERS, Administrator

Subject: Special Consideration for Veterans of the Armed Forces

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterans of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone made \$546.3 million in loans to this group. This represented more than 15% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance.

While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration. Therefore, I am directing that the following actions and policies be implemented:

1. There shall be established a permanent Office of Veterans Business Enterprise, within the Office of the Chief Counsel for Advocacy. This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall perform advocacy duties as defined in Public Law 94-305 on behalf of veterans, including the review of SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

2. New regulations as necessary shall be issued to clarify and assure that veterans are, in fact, provided "special consideration" within each assistance program of SBA. Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SCPs within 60 days from this date.

Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped and Vietnam-era veteran. The "Pechin Study," commissioned by SBA in 1980, and the Report of the SBA Veterans Task Force on Special Consideration for Veterans shall be used to guide the development of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The skill and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors are responsible for assuring the effective delivery of "special consideration" for veterans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Business Enterprise and each program office, shall assure that information and data concerning the participation of veterans in all SBA programs are collected, measured, and analyzed in a manner which serves the policy making needs of the Congress and Agency management. The Chief Counsel for Advocacy shall periodically report to the SBA Management Board his findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

The policies and actions set forth in this Statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.

Date May 14, 1982
Washington, D.C.

James C. Sanders
Administrator

OFFICE OF VETERANS AFFAIRS AND OFFICE OF BUSINESS DEVELOPMENT

Interface BlueprintOverview

P.L. 93-237 charges SBA with the responsibility for giving "special consideration" to veterans of the Armed Forces, particularly those of the Vietnam era and the handicapped veteran. The Agency has interpreted "special consideration" to include: (1) Providing the veteran with information about SBA programs and services; (2) training veterans in the skills necessary to successfully operate a small business; (3) counseling veteran business owners on various aspects of business ownership; (4) disseminating information to veterans on Federal procurement opportunities; and (5) providing veterans with information on the Veteran Loan Program.

To present a unified approach in serving the veterans community, the Office of Veterans Affairs and the Office of Business Development will pursue more effective use of the support system available from SBA's 12,000 SCORE members, 500 Small Business Institutes, 40 SBDCs, and hundreds of Chambers of Commerce Resource Centers. The success of this plan will strengthen our Veterans assistance program while allowing the Agency to make better use of its limited resources.

District Plan For Veteran Affairs

During the summer preceding each fiscal year, the VAO, with the support of the Business Development Division (BD), will schedule a district planning workshop with the appropriate veterans organizations, BD resource partners (SBDC, SBI, SCORE), and Veterans Business Resource Councils (VBRCs) to determine the needs of the veterans business community. Information collected during these discussions combined with Regional and Central Office priorities will be incorporated into the yearly District Plan for Veterans Affairs. This plan will: (1) Identify the overall needs of the veterans business community; (2) set specific objectives for the Veterans Affairs Program for the fiscal year; (3) address the roles and contributions of each of the participating organizations for accomplishing these objectives; (4) define areas of counseling assistance desired by the veterans business community; (5) specify the training topics and formats for future veterans workshops; and (6) establish channels of communication for outreach to the veterans business community.

Veterans Counseling Activity

Upon receiving a veteran's request for management assistance, the VAO will refer the client to Business Development. BD will assign the case to the appropriate resource who will diagnose the specific needs of the client. Every effort will be made by the resource to provide the veteran business owner with information on the full range of SBA services at his or her disposal. BD will ensure that priority is given to these requests via progress reports and impact analyses from the BD resource partner. To the extent of client receptivity, counseling should be aimed toward a long term, basis. BD and its resource partners, will maintain records of

veterans counseling activity on the BD Reporting System so the VAO can respond to inquiries from Congressional staffs or veteran organizations.

Procurement Assistance

Veteran inquiries for procurement assistance will be referred either to the BD Division for assignment to an SBA resource, to a PCR, or to a specific procurement organization. The BD Division will provide support to the VAO by developing training opportunities in Federal procurement procedures, and by assigning resources to help compile and prepare informational brochures on procurement matters.

The VAO with the assistance of the BD will ensure that all Procurement Center Representatives are alerted to subcontracting opportunities for veteran owned firms and when possible, maintain a list of veteran owned businesses capable of meeting Federal procurement requirements.

Veterans Advocacy/Outreach

Through orientation and update briefings, the VAO will help BD inform its resource partners about ways they can contribute to the overall objectives set forth in the District's Veterans Affairs Plan. BD will assist the VAO in scheduling these briefings and will designate a contact person for veterans affairs in each of its resources who will be requested to work in close cooperation with the VAO. The VAO will obtain commitments from the community veterans' organizations with respect to their active role in assisting veterans in concert with the BD resource partners. In addition, the VAO will maintain lists of veterans business groups and veteran owned businesses for use by the BD and its resources to promote and deliver SBA programs/services. Through its resource partners, BD will assist the VAO in developing and maintaining information on veterans business organizations, VBRCs, and veterans business owners. The Office of Veterans Affairs can provide the VAO a list of the districts' veteran loan portfolio and for targeted mailings. At scheduled public presentations before veterans business groups, the VAO will explain the SBA's veterans affairs activity and the assistance available from BD's resource partners. Whenever possible, BD will provide speakers from its resources for these presentations.

SBDC PLANNING MODULE

Veterans AffairsOverview

America's veterans who have helped preserve the freedom of this country, are also fighters for the free enterprise system and are choosing entrepreneurial careers in record numbers. As outlined below, the SBDC has an opportunity to exhibit its unique capabilities by fostering the creation and development of small business among the veteran population in concert with SBA.

Orientation and Coordination

By _____ (date) conduct an orientation program for all SBDC-related personnel to give them an overview of veterans' business assistance efforts in the State of _____ and specify their role in supporting these programs. The SBA District Veterans Affairs Officer (VAO) will be available at the orientation to familiarize them with the Agency's veterans assistance commitment.

Appoint an SBDC Veterans Liaison at the Center and each subcenter to meet every _____ months with the SBA District Veterans Affairs Officer to:

- (1) Develop a system of close coordination and teamwork;
- (2) learn about full details of SBA District plans for veterans affairs activities;
- (3) plan,

schedule and organize SBDC Veterans Affairs activities which complement and support the array of state public/private veterans business assistance efforts; and (4) solidify SBA/SBDC lines of communication; (5) update and coordinate the SBDC's network with the support of the Director, so a unified approach is taken in concert with SBA's veteran assistance plans. Assign the SBDC Veterans Liaison to: (1) Participate in an annual planning session with the SBA District Veterans Affairs Officer and community veterans organizations; (2) represent the SBDC as an active member of existing local Veterans Business Resource Councils.

Veterans Business Assistance Directory

In coordination with the SBA District VAO, provide for the development of a "Veterans Business Assistance Directory". Through this document, provide indexed information about the full array of SBA and public/private business assistance resources available or targeted to veterans throughout the state, i.e. financial, management, procurement, and training assistance opportunities. If possible, use student researchers under supervision of a professional staff person to compile and distribute this Veterans' Business Assistance Directory to SBDC counselors and SCORE chapters. - The purpose is to enable each counselor to appropriately link veteran clients with specific assistance opportunities. This Veterans Assistance Directory should also contain a current listing of small business management programs so clients can be referred to specific training opportunities.

Outreach and Communications

Establish linkages with and mailing lists of the veteran organizations located within the multi-county service area of the SBDC and each subcenter. Explore the benefits of forming a local Veteran Business Resource Council among organizations in the veteran business community to assist the SBA and SBDC in addressing the needs of local veteran business owners. Establish and maintain business resource libraries in established Vet Centers to provide general information on SBA-SBDC programs and events. Contact the state departments of major veterans organizations (American Legion, Veterans of Foreign Wars, Vietnam Veterans of America) to express a willingness to: (1) attend annual state-wide veterans meetings/conventions (either with or without an SBA agency representative); (2) to establish a booth/exhibit at these events; and (3) to make a formal presentation about the SBDC to the general audience of veterans programs. Devote a small column in each targeted monthly-quarterly newsletter to publicize the SBA-SBDC commitment to veterans and to briefly inform the readership of the general types of assistance available.

Training Activities

During FY 1986, SBA will conduct 25 National Franchising and Home-Based Business Conferences for Veterans. There will be a minimum of two conferences in each SBA region. When conference cities have been designated, assume the lead role in planning, coordinating and conducting the conferences(s) with SBA Regional/District Veteran Affairs Officers and with the state and local leadership of active veteran organizations.

Develop, promote, and provide a "Pre-Business Workshop" training program for veterans when such service is not available from a local chapter of the Service of Corps of Retired Business Executives (SCORE) or the local Chamber of Commerce. Initiate and cosponsor ____ (number) of Veterans workshops and ____ (number) of seminars. At the SBA annual planning program for Veterans Affairs activities, specific training programs will be identified in terms of subjects, target market, and location. Develop a marketing program to ensure a minimum attendance of ____ (number) is reached at each program. Recognize SBA prominently as a cosponsor on all literature and publicity for these training programs. Notify local veteran organizations of SBA-SBDC-SCORE training events as they become available for public promotion.

Counseling Activity

Provide detailed and specific support in the development of business plans/proposals for veterans with sufficient financial resources and business acumen to start or expand a business. Assign qualified SBDC personnel or use experienced private sector consultants who will be paid on a fee basis to assist with development of individual business plans. An available model for this effort is the "Model Business Development Plan" produced by the University of West Florida SBDC in 1981. _____ (number) counseling cases will be targeted for veterans each quarter.

Planning Input

By _____ (date), the SBDC will contact the state departments of major veteran organizations (American Legion, Veterans of Foreign Wars, Vietnam Veterans of America) to inform them of SBA-SBDC programs and to invite their written input on future planning and delivery of SBA-SBDC services to veterans. Collate the data and provide a narrative/ statistical report by _____ (date) for use in establishing the SBA-SBDC Veterans Affairs Program by _____ (date) for the upcoming year.

Impact Analysis

By _____ (date), contact in writing the state departments of major veteran organizations to determine the responsiveness of SBA-SBDC programs to the business concerns of their membership and to ensure that SBA-SBDC veteran programs have been tailored to specific needs. Collate the data and provide a narrative/statistical report by _____ (date) of each year to the SBDC Project Officer.

Review counseling cases and training events conducted during the past year and randomly select a sampling of the veterans program participants for an impact analysis of the service provided. A standardized questionnaire developed by the SBA will be available for making these client inquiries. The impact analysis will emphasize the specific and measurable results which can be attributed to the counseling training service provided, e.g., "My business is now growing and not dying"..... "Enabled us to hire XXX new employees"..... "increased our profitability by XXXX dollars or XX percent"....etc.

SCORE PLANNING MODULEVeterans AffairsOverview

Our veterans who have helped preserve the freedom of these United States, are also fighters for the free enterprise system. They are choosing entrepreneurial careers in record numbers. SCORE has an opportunity to apply its extensive capabilities in fostering the creation and development of small business among the veteran population by working in concert with the SBA as follows:

Orientation and Coordination

With the assistance of the SBA Veterans Affairs Officers, arrange and conduct an orientation on the SBA Veterans' Emphasis Program by _____ (date) for the maximum number of SCORE volunteers possible (e.g., annual district SCORE meeting, quarterly-monthly local SCORE chapter meeting). Identify and select a dedicated SCORE member with a strong interest in coordinating the Chapter's efforts to help America's veterans succeed in business. This SCORE Veterans Affairs Liaison should meet every _____ months with the SBA District Veterans Affairs Officer to: (1) Develop a system of close coordination and teamwork; (2) learn about full details of SBA District plans for veterans assistance activities; and (3) plan, schedule

and organize SCORE Veterans Affairs activities which complement and support the array of statewide veterans business assistance efforts.

Assign the SCORE Veterans Liaison the lead responsibility for: (1) Updating, marshaling, and coordinating SCORE members so they work in concert with SBA's veterans assistance personnel; (2) participating in the SBA annual planning session involving the District VAO and a broad cross section of veterans assistance organizations; (3) representing SCORE on the Veterans Business Resource Council in those communities which have such a council; and (4) contacting the local American Legion, Veteran of Foreign Wars and Vietnam Veterans of America posts or chapters to inform the general membership about SBA-SCORE programs.

Training Activities

During FY 1986, SBA will conduct 25 National Franchising and Home-Based Business Conferences for Veterans. There will be a minimum of two conferences in each SBA region. When conference cities have been designated, the State SBDC will assume the lead responsibility for planning, coordinating and conducting the conference(s) in conjunction with SBA Regional-District Veteran Affairs Officers and the state and local leadership of veteran organizations. To assure SCORE's participation, designate the SCORE Veteran Affairs Liaison to serve as a member of the planning and steering committee for the conferences. In addition, develop, promote and provide _____ (number) of "Pre-Business Workshop" training program targeted to veterans. Through the local SCORE Veterans Affairs Liaison,

inform the local veterans organizations of SBA-SCORE-SBDC training programs as they become available for public promotion.

Counseling Activity

To the extent of client receptivity, provide counseling for veterans on a substantive and long term basis. To this end, use the full talents and capabilities of all members of the local SCORE chapter as well as the resources of the SBDC and the SBI programs. Emphasis should be placed on helping the clients develop feasible business plans. Target _____ (number) cases for veterans counseling this year.

In coordination with the District VAO, obtain or help compile a "Veterans Business Assistance Directory". Use this comprehensive reference document as a tool to help SCORE counselors link veterans with the full array of SBA and public/private business assistance programs available or targeted to veterans. The Directory should also contain a current listing of small business management education programs so veterans can be referred to specific training opportunities. At a Chapter meeting, the SCORE Veterans Liaison should encourage SCORE members to use the Directory when counseling veterans.

SBI PLANNING MODULE**Veterans Affairs****Overview**

Our veterans who have helped preserve the freedom of these United States, are also fighters for the free enterprise system. They are choosing entrepreneurial careers in record numbers. The Small Business Institute can make an important contribution to the realization of our Veterans' business aspirations by reaching and assisting them in the following ways:

Outreach and Communication

Encourage the National Small Business Institute Directors Association (SBIDA) to include a column in their newsletter about SBA's initiatives to assist veterans, and suggest ways SBI schools can cooperate with this effort. The SBI faculty advisor should be a member of Veterans Business Resource Council in those communities where such a council is established.

Provide an article for use in newsletters of the American Legion, Vietnam Veteran's Leadership Project, Veteran's of Foreign Wars and Vietnam Veterans of America to inform them about the SBI Program and the selection criteria for cases.

Counseling Activity

Plan to complete ____ (number) SBI cases which assist veteran owned businesses. Screen referrals to ensure all cases which are accepted meet SBI case selection criteria. Appropriate veteran owned businesses will also be referred by SBA. Provide in-depth management analysis of client problems and substantive recommendations for corrective action. Emphasis should be given to developing feasible business plans which include the potential application of a full array of SBA and public/private sector resources available to assist veterans (i.e. procurement, international trade, training programs, SBIC, Bond Guarantee, 7(a) financial assistance, etc.). Strongly encourage the student team to use the talents and capabilities of the local SBDC facility for supplemental assistance in certain aspects of a difficult case. Additionally, urge the student teams to enlist the talents of the local SCORE chapter volunteers who can help: identify problems; develop recommendations; and provide follow-up counseling for the client after the completion of the study.

Impact Analysis

Identify veteran clients assisted during the preceding year and select a sampling of these participants for an impact analysis of the service provided. A standardized questionnaire developed by the SBA will be available for use in making these client inquiries. The impact analysis should emphasize specific and measurable results which can be attributed to the counseling service provided, e.g., "My business is now growing, not dying" "enabled us to hire XXX new employees" "increased our profitability by XXXX dollars or XX percent" etc.

Senator KERRY [acting chairman]. Thank you very much, Mr. Parker.

What I would like to do, if I can, is discombobulate the process here slightly, because we are not joined by two of my colleagues, and Senator Rockefeller is here, and I would like him not only to be able to testify but to be able to join us on the panel and be able to ask questions. So, if I may, first I would like to turn to Senator Bumpers and ask if he has an opening statement he would like to make.

Senator BUMPERS. I do have an opening statement, Mr. Chairman, but in the interest of time, I ask unanimous consent that my statement be submitted for the record.

Senator KERRY. Without objection, so ordered.

[The prepared statement of Senator Bumpers follows:]

STATEMENT OF HON. DALE BUMPERS, A U.S. SENATOR FROM THE STATE OF ARKANSAS

Mr. Chairman, I want to commend you for deciding to hold this oversight hearing this morning regarding the efforts by the Small Business Administration to be helpful to America's veterans. But I should say at the outset that two of the Senator's newest members deserve the major credit for instigating this inquiry and putting the hearing together. First, Senator Rockefeller, who graciously agreed to testify as our first witness today, has given deal of time and energy to veterans' needs, and he has been especially supportive of our committee and of the veterans programs at SBA. Second, Senator Kerry, whose distinguished military record was well known before he came to the Senate, has continued to be a champion of veterans' interests through his work on our committee. He has again demonstrated this commitment by agreeing to take primary responsibility for chairing this morning's hearing.

Moving to the matter at hand, I would simply observe that insofar as the Veterans Office at SBA, is concerned, most cases involve America's Vietnam-era veterans. It is noteworthy that Vietnam Veterans of America were among the first to come to the defense of SBA during the Donnybrook we had earlier this year in which Mr. Stockman sought to torpedo the agency. The calls and letters which members of Congress received from Vietnam veterans on behalf of SBA are significant for two reasons. First, they demonstrate that veterans do believe the agency can help them and, second, that many still need help in establishing businesses.

Half a million American soldiers saw combat in Vietnam. Fifty-eight thousand came home in pine boxes. The tragedy of that was so great that I doubt even yet if we fully comprehend its meaning. But perhaps the most tragic aspect of Vietnam from the American perspective was and remains the alienation, if not ingratitude, which greeted these soliders on their return home. Having answered their country's call to service, they came home to a people so troubled, so anguished by the war itself that they hardly knew how to respond to their friends and neighbors who had gone. Unlike the hero's welcome given the veterans of previous wars, Vietnam's soldiers were treated indifferently, or even shunned by their countrymen. Worse, hundreds of thousands bore serious emoticnal and psychological scars, and they found their government as unprepared as their fellow citizens to accept them and help them make a new start.

We have come a long way, I am glad to say. The government has made a lot of progress in owning up to its responsibilities to those who served. And the American people have come to realize that the Vietnam veteran, partly because of the terrible trauma which many experienced, is a special breed. He is a survivor. He learned at an all too early age the meaning of success and failure. Yet even now, over a decade after the war's end, there are thousands of veterans who are just realizing that they have what it takes to make a go of it on their own.

We are here today to learn what SBA has done and is doing for veterans who want to start their own businesses. We would like to hear suggestions on how the veterans affairs office can improve its operations and reach out to more veterans. Both the SBA and this committee want to do all we can to help veterans achieve a prominent position in today's business world.

Senator KERRY. Senator Harkin, do you have any statement?

Senator HARKIN. Mr. Chairman, thank you. I, too, have a prepared statement. Following Senator Bumpers' example, I would

like to ask unanimous consent that it be put in the record, but I would like to make just a few comments on things I feel rather strongly about.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM THE STATE OF IOWA

Senator HARKIN. Mr. Chairman, first of all, I want to thank Senator Weicker and yourself for calling these important oversight hearings.

The Vietnam war is now 10 years in the past. We are celebrating the 10th anniversary of the ending of that war. There has been a steady and improving healing process going on in this country over 10 years, but I just make the observation that memorials and parades are not enough and that more needs to be done.

The veterans whom I associate with, whom I served with during that period of time are encountering a number of problems, not only in my home State of Iowa but in other areas of the country, problems that can be greatly helped by the Small Business Administration and the Veterans Affairs Office.

I want to just focus on one specific area. The average age of people who are starting their own businesses is between 35 and 45 years, when people decide to invest in some kind of entrepreneurial enterprise and go into business on their own. It happens to be the age group where we find our veterans from the Vietnam era.

There are a couple of important programs that the SBA has established. Under the management assistance program of the SBA, in fiscal year 1984, 100,000 veterans received training and counseling. I think that is a good program and it needs to be strengthened and continued.

The second important program is the SBA loan program. This program has served our veterans well. During the last 2½ years, this program spent \$25 million with a default rate of less than 2 percent. I defy any other loan program in this country to show less default than 2 percent. This program has been a great success.

Mr. Chairman, again, I wanted to point out those two important programs because they need to be strengthened, and need more support.

In closing, in talking about the Veterans Affairs Office within the SBA, we have also established the Veterans Business Resource Council. No clear guidelines for the Veterans Business Resource Council have ever been put out. We need these guidelines in order to establish the responsibility, authority, and accountability of this program.

We also need to address our Outreach Program. Many veterans out there don't understand or don't know that these programs are available. We have the veterans affairs offices, but we don't even have a handbook, as I understand it, within the SBA, describing the Veterans Affairs Office and what that office can do for veterans.

I believe we need that handbook so that we can have an Outreach Program where we can put this information out to vet centers and different organizations to let them know the services that are available. We need to publicize the vets resources, the Business

Council, and the VA office within the SBA and to let them know what services are available to them.

Mr. Chairman, the SBA has made important first steps in assisting the veterans of this country, especially our Vietnam-era veterans. But in those two or three areas that I just mentioned, some refinement needs to be made to continue to strengthen the loan program and to get a handbook published to strengthen some outreach out to those veterans so that they know those services are available.

Thank you, Mr. Chairman.

[The prepared statement of Senator Harkin follows:]

Statement of Senator Tom Harkin
Committee on Small Business
Hearing on Veterans Affairs Program of the SBA
November 13, 1985

I would like to thank my colleagues, Chairman Weicker and Senator Kerry, for calling this oversight hearing on the Veterans Affairs Program of the Small Business Administration.

It is indeed appropriate that this hearing is taking place. This year marks the tenth anniversary of the end of the United States military involvement in Vietnam. Since that time, a healing process has been occurring for our Vietnam veterans and the American public. For many, the events of the past year have meant coming to terms with experiences that society tried to bury. There is now a renewed sense of appreciation for the men and women who served this country during that conflict.

But building memorials and marching in parades is not enough. There is still much that needs to be accomplished to truly bring our soliders home. Today, veterans make up approximately 5% of the unemployed in this country. That

number is too high. In addition, the average age when people make the decision to go into business for themselves is between 35 and 45. Most of our Vietnam veterans are now entering this crucial period. Many of these veterans are entrepreneurs, who with a little guidance and/or financial assistance, could turn their ideas into thriving businesses.

Since 1974, with the passage of Public Law 93-237, the Small Business Administration has given "special consideration" to America's veterans. With the establishment of the permanent office on Veterans Affairs, in 1983, the SBA began the important task of assisting our veterans in establishing small businesses. I would like to commend the Veterans Affairs Office for establishing two very successful programs thus far.

Management Assistance: In Fiscal Year 1984, approximately 100,000 veterans received management assistance training and counselling services through the SBA. Over 15,000 veterans participated in 30 special "Veterans Business Training and Networking Conference". This hands-on training is vital to the teaching of the business skills necessary to succeed. This type of program should be continued and expanded.

SBA Loan Programs: The SBA loan program came under fire earlier this year from former OMB director, David Stockman. However, I believe that the true numbers show that this

program is not the "debacle" that Stockman called it, but rather an important support program for our veterans. In the past two and half years, the SBA veteran loan program spent approximately \$25 million, and had a default rate of less than 2%. This low default rate indicates that this money is well invested. Establishing veteran owned businesses also tends to lower the veteran unemployment rate in general, as veterans tend to hire other veteran.

It is clear by the success of these programs that the Veterans Affairs Office is on the right track. But there are many questions as to where the program is headed. I hope that this hearing will establish what new directions for this program in terms of staffing, new program initiatives, and out reach to veterans.

Staffing: Under its current structure, the Veterans Affairs Office operates in the 10 regional SBA offices with one staff member per office designated as the Veterans Affairs Officer (VAO). Many of these VAO's have yet to receive specialized training on the Veterans Affairs Program. Since the success or failure of this program rests primarily on them, I believe that this training should be completed as soon as possible.

Additionally, the SBA has mandated the establishment of a Veterans Business Resource Council (VBRC) to establish communications and cooperation between the SBA office and the veterans community. The purpose of the VBRC is to work with the local VAO and the District Offices to ensure that proper

policies, procedures, and attitudes towards veterans are maintained by all SBA personnel. However, there have never been any clear guidelines or operational procedures set up by the SBA on the role of the VBRC's. These guidelines are needed to clarify the responsibility, authority, and accountability of these boards.

Outreach: Many veterans do not even know what assistance is available to them through the Small Business Administration. Currently, the Veterans Affairs Office does not even have a handbook describing this program. I believe that the Veterans Affairs Office needs to work the VBRC and local veterans organizations in order to publicizes this program to the veterans of this country.

New Policy Initiatives: In 1983, the Small Business Administration commissioned 11 studies on the needs of the veterans in order to improve this office. Ten of this studies have been completed. The information gathered by these studies should be dissimulated into needed policy changes as quickly as possible.

In conclusion, I want to emphaize that the Small Business Administration has made some important first steps in establishing this program. I feel that the program needs to be refined and improved in the coming month so that the veterans of this country can utilize the benefits of this program.

Senator KERRY. Thank you very much, Mr. Harkin. I appreciate and I think many people appreciate your comments. Obviously, as a Vietnam veteran, you are more than aware of and sensitive to these problems.

What I would like to do now, if I may, Mr. Parker and Mr. Bechet, is ask you if you could move just for the time being and then we will come back to questions of you after we hear from Senator Rockefeller, or you can stay there and Senator Rockefeller can testify from right here. That is simpler. Let's go for simplicity here.

In introducing Senator Rockefeller, I really want to say that no executive in the country during the period that we were trying to get things done for veterans was more responsive voluntarily, without pressure, because he understood this issue and felt it, than was Senator Rockefeller when he was the Governor of West Virginia. I know first hand of his deep and genuine commitment to this problem, in solving it.

When he was Governor, he really gave meaning to the notion of outreach. He reached out in very creative ways, constantly trying to increase his ability as chief executive to let veterans know what was going on. Those efforts included meetings within the executive department, having people come into the State house, doing as much as he possibly could.

So, I think that in his testimony and in his understanding of this issue, there is a foundation which is based on just having made it work in practical experience, and there is nothing better than that.

So, I welcome him not only on the basis of that experience but also because he is a member of the Veterans' Affairs Committee. He continues that effort here in the U.S. Senate, and it is really his inquiry and inquisitiveness and continued concern that is the reason we are having this hearing today, because he wrote the letter that raised the concern about expenditures and brought it to my attention and the attention of this committee.

So, Senator Rockefeller, we thank you for that and we welcome your testimony.

STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Those are more than kind words and not deserved, but I do feel very strongly about veterans. Although I am not a member of this committee, if it is possible, I would like to ask some questions of the witness.

Senator KERRY. Yes. We absolutely would like to have you do that.

Senator ROCKEFELLER. Thank you.

I do want to make my statement. I also want to thank you, Senator Kerry, because it was the two of us who went to Senator Bumpers and Senator Weicker and asked for these oversight hearings, and they were good enough to grant that. You and I did it together, Mr. Chairman, so let that be shown.

I indicated that you and I requested this hearing because we believe that SBA must not backslide in its commitment to veterans. Further, SBA must not backslide from the enormous progress that

it has made through the period of 1980 through January 1985. I am, personally, very sympathetic to the experience that this embattled agency has had over the last year. I well understand what happens when you are told you are going to be abolished. That has to have an effect on morale.

I also understand what happens when an Office of Veterans Affairs Director dies. He was a West Virginian, Stephen Mollett, and he has not yet been replaced. That has been 11 months in which he has not been replaced. That tends to send messages. So, between the administration's desire that SBA be abolished and the extended vacancy of the directorship of the Office of Veterans Affairs, this sends a strong message.

It is my conviction that the SBA and its Office of Veterans Affairs is uniquely equipped to help our Nation's Vietnam veterans. As Senator Harkin indicated, statistics show logically and conclusively that most people reach the decision to start or not start business between the ages of 35 and 45. This is precisely the age of most of our Vietnam vets.

I come from a State that, in relation to its total population, lost more young people in combat in Vietnam than any other State in the Nation. So, I speak not only as a former Governor and as a Senator who feels strongly, but I speak for those who survived who feel very, very strongly.

Senator BUMPERS. Would you yield on that point for just a moment? That is a staggering statistic. Are you telling us that you lost more men in the war than any other State or as a percentage of your population?

Senator ROCKEFELLER. On a per capita basis, that is correct.

Senator BUMPERS. What is correct?

Senator ROCKEFELLER. West Virginia, per capita, lost more people in combat in Vietnam than any other State in the Nation. I might say, in fact, if you look at several other wars, we are high up there.

I know that many of the veterans who survived felt left behind when they came back home. While many of their friends were in college or busy establishing careers at home, they were in Vietnam. When our Vietnam veterans came back, this country was guilty of neglecting them. That is often discussed and it is always true. Because of our ambivalence about the war, we missed many opportunities, Mr. Chairman, to help these men and women reenter the mainstream of American life.

Simple justice requires that we not miss another opportunity, and here we are with one small part of that opportunity, and we don't want to miss it.

My concern about the veterans programs at the Small Business Administration is embodied in a letter that I got from our witness, Mr. Parker, when I wrote him last May. I asked the Administrator the status of the fiscal year 1985 funding that Congress had appropriated for veterans outreach and training programs. The answer greatly disappointed me.

What it said is that:

In response to your inquiry of the availability of funding for veterans' outreach and training, \$12 million was made available in fiscal year 1985. It is anticipated, however, that only about half, or \$500,000, will be utilized this fiscal year. This

amount will be sufficient to meet the outreach and training needs of the veterans' program as currently projected.

That was the first paragraph. I didn't have to go beyond that to become concerned.

All of us are aware of the need to tighten the belt on Federal spending. That is the process we are all going through now and we will be involved in for years to come.

Congress chose, however, to appropriate a set sum of money for veterans outreach and training. If this modest sum of money is not needed, if these programs are being overfunded, then we should know this. Mr. Chairman, if \$500,000 will do the job, then we should know it, because deficit reduction is important. But given the age range and the aspirations of our country's Vietnam veterans, it would be hard to convince me that \$1 million is some kind of a fiscal overreach.

From 1980 until January 1985 SBA made excellent progress in the area of veterans outreach and training. This excellent progress is to be commended. However, the letter that I received indicated to me a shift in direction. Combined with other recent negative signs, I am now deeply concerned that SBA may be backsliding on its commitment to veterans.

For example, as I indicated earlier, the Office of Veterans Affairs has been without an officially designated director since Steve Mollett's death, 11 months ago. Well, you say, that happens in Federal Government. Maybe that does, but when it does, it sends a signal. When something has been working very well with one particular advocate, and he dies and is not replaced, that sends a message to the agency and, through the agency, to veterans.

I think it is important that the Office of Veterans Affairs not look as if it is in limbo.

I would agree with Senator Harkin on this question of a veterans handbook. In the letter that I received last June, reference was made to another handbook called "Businesses That Can Be Owned and Operated by Handicapped Veterans," that there was sort of a demand for that, that this other veterans handbook had to sort of be put aside for the moment.

But you can't put aside a veterans handbook. How are veterans going to find out about what is available? It seems like a detail. It seems like a matter of government printing. It seems like a bureaucratic piece of paper, but it isn't. If the SBA is going to make the 35- to 45-year-old veteran aware of what is out there, they have to be told what is available.

On the issue of special consideration for veterans, there is a very clear special consideration statement issued by James Sanders, on May 14, 1982, entitled "Small Business Administration Special Consideration for Veterans of the Armed Forces."

Well, has that changed? Do we not need regulations that spell out if there has been a change? Administrator Sanders' executive policy statement says that veterans affairs officers, VAO's, shall be appointed in each regional district office if not already designated. Then this executive policy statement provides that VAO's shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans

seeking agency assistance. That is one of five points in this declaration of special consideration.

We need to train new veterans affairs officers in the districts so that they will be able to respond to veterans' needs. I am not sure that is taking place.

The Advisory Committee on Veterans Business Affairs. Just another group? No, it isn't. We need to continue the existence of the Advisory Committee on Veterans Business Affairs. It is part of the pie. It is part of the process. It is part of the puzzle that sends the word out to that age group that SBA is ready to help.

The advisory committee, if it is not specifically extended, Mr. Chairman, will terminate at the end of this year. It will terminate unless it is specifically extended. And I would ask that it be continued.

I also think that the Office of Veterans Affairs needs a plan that sets forth goals for the implementation of veterans programs. I simply don't see this now.

There is one more point I would like to make. I listened to the Deputy Director talk about the money that SBA has lent out. Why is it that SBA has failed to spend from such a substantial portion of the money allocated for direct loans to veterans? Yes, millions have gone out, but look at the comparison. In 1984, \$19.8 million of the available \$25 million spent, was loaned out. In 1985 the amount of direct loan money lent out to veterans dropped down to \$8.6 million of the total \$25 million available for veterans. Why the change? Was there a lack of demand? Was it just that people were not applying? I don't think so. I want to know the reason for this decline.

In summary, Mr. Chairman, I think SBA has done a remarkable job. Let that be clear. Let that be heard. From 1980 through January 1985, it was doing a good job. Things were getting going. There was a sense of movement. That momentum appears to me to have stopped. This is not the time to backslide. This is the time to bring these things to fruition. It is critical that we not let our veterans down, again.

I thank the chairman.

[The prepared statement of Senator Rockefeller follows:]

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Statement of
 THE HONORABLE JOHN D. ROCKEFELLER IV
 Senate Small Business Committee
 Hearing on SBA's Veterans' Assistance Programs
 Wednesday, November 13, 1985

Thank you, Mr. Chairman, for inviting me to testify here today before this distinguished committee on the status of the Small Business Administration's efforts on behalf of veterans. Your responsiveness to my request to conduct such a hearing is greatly appreciated.

I requested this oversight hearing because I believe that SBA must not backslide on the enormous progress that it has made in veterans' programs.

I am very sympathetic to the difficult position this embattled agency has been in over the last year. I well understand that activities do not proceed on a normal basis when the very existence of an agency is being threatened. Furthermore, I know that the Office of Veterans Affairs suffered a tremendous loss when the head of this office, Stephen Mollett, died last winter.

It is my conviction, however, that the SBA and its Office of Veterans Affairs is uniquely equipped to help our Nation's Vietnam veterans. Statistics show that most people reach the decision to start their own businesses between the ages of 35 to 45. This is precisely the age bracket of most Vietnam veterans.

I come from a state that, in relation to its total population, lost more young people in combat in Vietnam than any other state in the nation. So, I feel a special commitment to those who survived. I know that many of these veterans felt left behind when they came back home. While many of their friends were in college or busy establishing careers at home, they were in Vietnam.

When our Vietnam veterans came back, this country was guilty of neglecting them. Because of our ambivalence about the war, we missed many opportunities to help these men and women re-enter the mainstream of American life. Simple justice requires that we not miss another opportunity.

My concern about veterans' programs at the Small Business Administration is embodied in a letter that I wrote last May to James Sanders, Administrator of SBA. I wrote Mr. Sanders, quite frankly, because I wanted to confirm what I was hearing from a number of veterans' organizations. I asked the Administrator the status of the fiscal year 1985 funding that Congress had appropriated for veterans' outreach and training programs. The SPA's answer greatly disturbed me.

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The Small Business Administration's response read as follows (and I quote): "In response to your inquiry of the availability of funding for veterans' outreach and training, \$1 million was made available in FY 1985. It is anticipated, however, that only about half, or \$500,000, will be utilized this fiscal year. This amount will be sufficient to meet the outreach and training needs of the veterans' program as currently projected." (emphasis added)

All of us are aware of the need to tighten the belt on federal spending. In this case, however, Congress chose to appropriate a set sum of money for veterans' outreach and training. If this modest sum of money is not needed, if these programs are being overfunded, then we should know this for the next round of appropriations. But given the age range and the aspirations of our country's Vietnam veterans, I am firmly convinced that this is not the case.

The history of veterans' programs at the SBA is instructive. Back in 1974, the Small Business Act specified that SBA should provide "special consideration" to veterans. This language did not prompt much action on behalf of vets. It was not until six years later, prodded by oversight hearings in the House and Senate Committees on Small Business and Veterans, that SBA started to actually give veterans some special consideration. Since 1980, some very positive steps have been taken: a permanent Veterans Affairs Office at SBA was established; each district and region was instructed to appoint a veterans affairs officer; an outreach campaign was undertaken to inform veterans about SBA programs; and a task force was set up to formulate a plan of action for SBA to assist veterans.

Thus, from 1980 until about January 1985, the SBA made excellent progress in the area of veterans' outreach and training. I commend SBA for the fine work that it accomplished after an initially slow start. However, the letter that I received from SBA about funding for veterans' programs, combined with other recent negative signs, gives me reason to be concerned that SBA may be backsliding on its commitment to veterans.

For instance, the Office of Veterans Affairs has been without an officially designated director since Steve Mollett's death. Eleven months without someone who is clearly in charge sends mixed signals to the field offices about SBA's commitment to veterans' programs. One of the SBA offices in my state called me recently to ask if a permanent chief of this office had been appointed. I think it is important that the Office of Veterans Affairs not look as if it is in limbo.

I am also concerned about what I have come to view as a lack of an organized plan for this office. I realize that it is difficult to make plans for an office when the agency may be going out of business, and no permanent director has been designated. It is time now, however, to move beyond these problems and provide SBA's veterans programs with some clear direction. To help accomplish this goal, it is important that the

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SBA continue the existence of the Advisory Committee on Veterans Business Affairs. This Committee, composed of representatives from other agencies, veterans' organizations, and banks, is scheduled to terminate at the end of this year.

As part of its effort to formulate a mission for SBA's veterans' programs, the SBA might wish to revise the 1976 regulations that define "special consideration" for veterans. Back in 1980 the Deputy Administrator of the SBA, when testifying before this committee, said that only some of these regulations made sense and that others would just not be implemented. It is time, in my judgement, for those unsatisfactory regulations to be replaced.

I understand that the SBA now has the results of some studies it commissioned two years ago, at a cost of \$885,000, to examine the status of veterans and business. I am confident that SBA will use that information in a productive way to help define its goals for its veterans' programs. In 1980 the SBA initiated a study to improve SBA's service to veterans. At that time the American Legion's representative testified before this committee that they hoped "the issue is not studied to death before effective remedial actions can be taken." That same caution holds true today. Now that we have the information, it's time to proceed with the program.

I have several other concerns that I would like to comment on briefly. The lack of training for the new veterans' affairs officers again sends signals to the field that SBA is renegeing on its commitment to veterans. Also, right now there is no handbook available to veterans who need information about starting their own businesses. It is imperative that SBA rectify these problems soon.

Also, I am very concerned about why SBA has failed to spend such a substantial portion of the money allocated for direct loans to veterans. In fiscal year 1984, \$19.8 million of the available \$25 million was spent, while in fiscal year 1985 only \$8.6 million of the \$25 million was spent. Why the change? If fewer veterans applied for direct loans because they believed that SBA was going out of business, why didn't the word go out to the district veterans affairs officers that this money was still available? I know in my own state, where unemployment is at 12.4%, there are many veterans who could have used a boost in starting a small business.

There is one more item I would like to address before concluding this statement, and that is the Veterans Business Resource Councils (VBRCs). In July, when the Senate voted to reauthorize the Small Business Administration, my amendment encouraging the SBA to work with states to start up VBRCs was accepted. Ten states currently have VBRCs. Other states, including my own, have expressed an interest in forming VBRCs, but they don't know where to begin. My amendment directed SBA to work with the states to help them form new VBRCs and to provide technical assistance to those already existing.

In sum, Mr. Chairman, I believe that the SBA's veterans' programs have the capability of providing an enormous service -- not only to our Nation's veterans, but to our economy. This is a time when the veterans programs at SBA should be coming to fruition, not backtracking. It is critical that we not let our veterans down, again.

Senator KERRY. I thank you, Senator Rockefeller. I think those are both perceptive and sensitive comments as well as important comments. I thank you for them.

I would like to turn to my senior colleague here and ask him if he would like to start the questioning.

Senator BUMPERS. Mr. Chairman, I appreciate that very much. I have to leave, and then I will try to come back before these hearings are concluded.

I want to say to Senator Rockefeller that that was a very powerful statement which I think is a manifestation of the concerns of this committee, Mr. Parker, that this committee wants this program to be a very viable part of the Small Business Administration. We don't want excuses about the handbook. We don't want excuses about not having spent the money we appropriated to take care of these veterans.

So, I hope that when this hearing is over, the message will go back to everybody in the Small Business Administration that we are deadly serious and hope we don't have to have another oversight hearing. There are some things that I think we are probably going to have to address.

I am going to leave some of the questions to Senator Kerry and Senator Rockefeller dealing with the Outreach Program, why has the extra half-million dollars not been spent, where did the money go, why are we only spending \$8 or \$9 of the \$25 million on veterans direct loan programs. But let me ask you a couple of other questions that sort of go to my generation of veterans and ask you for an answer and then your comments.

Before I do that, incidentally, in connection with the questions that Senator Rockefeller raises about why the money hasn't been spent, the obvious one is the one he has already stated, and that is, why is that true and did you not have enough applications to use up that money from veterans?

Mr. PARKER. Are you talking about the—

Senator BUMPERS. The direct loan program.

Mr. PARKER. Senator, we have no knowledge of any veteran ever being denied a loan for lack of funding by the agency. We have continued to disseminate information in our outreach efforts that these funds are available, but they come under the same criteria for lending as do other loan programs that we have. We are talking about the assurance of a reasonable ability to repay. This governs all of our loans and it is mandated by law.

The only answer that we can give would be that these needs of the veterans were satisfied by our guaranteed loan program or our other direct loan funds which you appropriate to us. There has been no one denied a loan because of shortage of funds.

Senator BUMPERS. Let me ask you this. No. 1, I don't believe your outreach program or your counseling program is nearly dynamic enough. If they were, more of the direct loan money would have been spent. Second, if a veteran applies for a guaranteed loan, is he given any preference?

Mr. PARKER. The only preference that he is given, and it is one that is in some cases a benefit, is that his application comes to the top of the list. If there are several persons, for instance, today who walk into an office, to our Clarksburg office, for instance, and

apply for a loan, then the veteran's application would come to the top and be serviced first. That is so that we ascertain and be certain that funds will be available to that veteran ahead of other persons.

Senator BUMPERS. Do you keep separate statistics in your guaranteed loan program on veterans?

Mr. PARKER. Yes, sir. We did not have that available before 1981. We do now.

Senator BUMPERS. Is that the statistic you gave this morning about the percentage of loans going to veterans?

Mr. PARKER. Yes, sir.

Senator BUMPERS. And you say that is up to—

Mr. PARKER. Roughly 25 percent. It has varied from a high of 26 percent to a low of 23 in the last 2 years. All of our loans—

Senator BUMPERS. That is up from 12 percent in 1980? Is that correct?

Mr. PARKER. Yes, sir.

Senator BUMPERS. That is some progress.

Let me sort of make a confession here. When I was first elected Governor, Vietnam veterans began to storm into my office about employment opportunities. I have to confess to you that I turned against the war in about 1970, and I never was as sensitive to the plight of Vietnam veterans as I should have been and have since become.

You say that about half of these loans are to Vietnam veterans. Is that correct? Or more? I would have assumed it would be more because of their age category.

Mr. PARKER. Roughly half.

Senator BUMPERS. Roughly half?

Mr. PARKER. Yes, sir.

Senator BUMPERS. Let me tell this little story, probably one of the most poignant things that ever happened in my life. When I went into the Marine Corps, I went into basic training, boot camp we called it, out in San Diego. Anderson and I were there Saturday and landed at Lindbergh Field, and there is just a fence between there and the boot camp where I went through boot camp. It was as great feeling of nostalgia just to suddenly see that. I didn't look nearly as big Saturday as it did when I was 18 years old.

But I just got to reflecting on Saturday that Monday was Veterans Day. I very seldom go to VA hospitals on Veterans Day because that is when everyone goes, and I would rather go at other times so that I show my own sensitivity, and I think they appreciate you more if you come at times other than when everybody comes.

At any rate, I got to thinking I went into the Marine Corps with a big old red necked gawky guy from Springdale, AR, named Bill Ellerton. He became one of my very best, probably my best friend in boot camp, and we parted. I went into the Marine Air Corps and he went into the Marine Infantry, and the Marine Infantry was a very bad place to be in World War II.

I came home on furlough during the Battle of the Bulge in December 1944, and that was all the headlined news. But on the back pages, there was a story, "Marine's widow receives Purple Heart posthumously." My friend Bill had been killed in the first wave on

Peleliu. So I wrote his wife. The thing about it is she was pregnant at the time, and one of Bill's primary concerns was that he would get killed before he saw the baby and he did indeed do just that.

So, when I was running for Governor in 1970, I walked into a newspaper office—that was back when I had 1 percent of the vote—in Springdale, AR, and asked the receptionist, is your editor here? She said, no, but our assistant editor is here. So, I walked back to say hello to the assistant editor and I said, I am Dale Bumpers, and he said, my name is Bill Ellerton. I said, well, you are Bill Ellerton, Jr., and he said yes.

So, we sat down, and I had an opportunity to tell him a lot of things about his father that nobody else could have told him.

That long story gets me down to this point: Do we have any kind of program in this Small Business Administration that gives any kind of preference to children of men who have been killed in combat or who have been killed in other ways while they were serving?

Mr. PARKER. First of all, let me say we share the same age as veterans and, incidentally, also the same corps. I went through Parris Island.

Senator BUMPERS. Yes, that was the inferior boot camp we had. [Laughter.]

Mr. PARKER. And I think there are things we will never forget, certainly the loss of one whom you valued so much. I, too, lost a number of very close associates.

Senator BUMPERS. Incidentally, this youngster made it just fine, and I think he had gone to the journalism school at the University of Arkansas on some special program at that time for children of men who had been killed in World War II. But I am curious now, because we are going to have the same problem with the Vietnam veterans and to some extent with those men who were killed in World War II.

Mr. PARKER. I am going to ask Leon Bechet to answer that one, Senator Bumpers.

Mr. BECHET. Senator, Public Law 93-237 does provide special consideration for veterans of the Armed Forces of the United States and their survivors or dependents.

Senator BUMPERS. So, they get the same preference that their father, if he were alive, would have gotten.

Mr. BECHET. That is correct. Even though there is no special fund like there is for Vietnam era and disabled veterans.

Senator BUMPERS. Do you keep separate statistics on those youngsters, those children, or not?

Mr. BECHET. No, we haven't.

Senator BUMPERS. Are they just included in the whole broad spectrum of veterans?

Mr. BECHET. That is correct.

Senator BUMPERS. Is there a place on an application to show whether you are a veteran or a survivor of a veteran?

Mr. PARKER. No, sir.

Senator BUMPERS. How could you keep statistics on it if you don't have anything to indicate it?

Mr. PARKER. We have statistics indicating if the applicant is a veteran or a nonveteran.

Senator BUMPERS. But my point is, if it is a child of somebody who has been killed in combat, how can you keep separate statistics if you don't draw that distinction on the application form?

Mr. PARKER. We don't have available at the present time those statistics. You are quite correct in your assumption that we don't have it.

Senator BUMPERS. Mr. Chairman, I won't take any more time. I thank you very much for deferring to me, and I will try to get back before these hearings are over.

Senator KERRY. Thank you very much. We appreciate it.

Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Mr. Parker, you wrote me in that letter that you felt that \$500,000 was sufficient and that the \$1 million was not necessary. Do you still have that position?

Mr. PARKER. Mr. Chairman, Senator Rockefeller, this is a point I would love to clear up, and it deals with the appropriation of the \$1 million that we get from the Congress.

The expenditure from that fund, the \$500,000 that we indicated we had spent, does not include any of the effort that we make in the field. It doesn't include the cost of our Veterans Affairs Officers' salaries, expenses, the cost of conducting conferences, counseling sessions, travel, mailings, printing, warehousing, shipping, or any of the costs that are incurred by the field. Actually, these costs are the moneys expended for the outreach programs as listed in the appropriation authorizations.

Those moneys spent far exceed the \$1 million which was appropriated. We estimate maybe \$2.5 to \$3 million.

Senator ROCKEFELLER. Why didn't you tell me that? It says here that "this amount will be sufficient to meet the outreach and training needs of the veterans programs as currently projected."

Mr. PARKER. Well, that was from a central office expenditure, and I guess we should have made it clear to you at the time, sir, and we are sorry we didn't.

Senator ROCKEFELLER. But that is the case?

Mr. PARKER. You can rest assured, sir, that we will spend those funds first this next year, so there will be no misunderstanding.

Senator KERRY. Would the Senator yield for a moment?

Would you describe then with particularity what that \$500,000 within that framework is going to?

Mr. PARKER. The funds expended have been for various studies, some of them for research. The year before last, over \$800,000 went for research projects.

Senator KERRY. I am talking about the \$500,000.

Mr. PARKER. This year?

Senator KERRY. Yes. The \$500,000 this year. What has that gone to?

Mr. PARKER. Those would have been for the various expenses that we incurred in central office, including salaries and expenses for the central office of OVA, equipment, some mailings and travel for central office OVA personnel. It is also for printing and, incidentally, this would include the handbook that we mentioned. We have put out over a million pieces of literature in the last 2½ years both including announcements for various veterans programs and

conferences and handbooks, and we have to say that we are out of those now. The new handbook which we have developed was due for delivery to SBA yesterday. We had hoped to be able to bring some of those with us.

Senator ROCKEFELLER. The veterans handbook?

Mr. PARKER. Yes, sir. That effort has been going on for several months, and we apologize for the fact that it has taken so long. It has gone through GPO and their subcontractor to be printed and has not come out at this time. We do have and we have had veterans handbooks, and we will have a new one after today.

Senator KERRY. But with respect to the clause that Senator Rockefeller cited, clause 4 of Mr. Sanders' directive, VAO's shall be highly qualified, trained, and experienced in SBA programs and procedures, readily accessible, and so on, that training—I mean, that is really part of outreach, isn't it?

Mr. PARKER. Yes, sir, and it is part of the special—

Senator KERRY. That would be part of that budget, would it not?

Mr. PARKER. It would be.

Senator KERRY. So, if you were in fact implementing that particular section to a greater extent than it is right now, those moneys in fact could cover that effort to guarantee that outreach, et cetera.

Mr. PARKER. Very true, and we have a contract being prepared at the present time after longstanding negotiations with private firms to conduct training which will take place, we would hope, in the next 90 days.

Senator KERRY. I thank my colleague. I am sorry to have interrupted.

Senator ROCKEFELLER. In 1980, the Deputy Administrator testified before this committee—and I more or less quote him—that there are limits to what a small agency like SBA can do for veterans training and veterans problems. Is that a fair characterization?

Mr. PARKER. It is to the extent that as far as permanent personnel we are talking about full-time personnel in all of our 100 district and branch offices. Yes, that would be the case.

We have attempted to solve this by two methods, one, is using collateral duties for persons who have regular jobs as part of the veterans outreach. Second, using the private sector and our other contract services, SCORE, SBI's, SBDC's, and others as well as veterans organizations.

So, while a small agency such as ours does not have the luxury of employing a full-time person on veterans affairs in every office, we think we have come up with a very workable solution and one that has been applauded by all of the major veterans organizations as far as outreach is concerned.

Senator ROCKEFELLER. You have this policy statement, issued in 1982, which made some very specific statements about the existence of VAO's in every district and every region, and that they shall be highly trained and highly qualified.

Are you now indicating to me that that really isn't possible financially?

Mr. PARKER. Yes, sir. I didn't mean to indicate that, we have a veteran affairs officer in every single office, but it is as a collateral duty, an additional duty to another job being performed.

Senator ROCKEFELLER. That becomes important.

Mr. PARKER. And those persons are trained and go through a training course. The last one we had was a little over 1 year ago.

Senator ROCKEFELLER. Do you have it or does somebody else have it?

Mr. PARKER. We have it.

Senator ROCKEFELLER. Do veteran organizations have input into it?

Mr. PARKER. Well, we asked their input as to what they thought should go into it. We had attendance from the Vietnam Veterans of America, the American Legion, and others at the training session.

Senator ROCKEFELLER. Are you telling me that you have the VAO's at each of the regions and districts across this country?

Mr. PARKER. Yes, sir, every single one.

Senator ROCKEFELLER. And that they are highly trained and highly qualified.

Mr. PARKER. We have 79 veterans affairs officers.

Senator ROCKEFELLER. Do they have collateral work or is this their collateral work. Are their VAO responsibilities the majority or minority part of their work?

Mr. PARKER. It is a minority part of their work.

Senator ROCKEFELLER. In the measure of 25 percent?

Mr. PARKER. Anywhere from 15 to 25 percent, but at times 100 percent. If we are putting on, say, a major outreach conference such as those we did in 1984, they spend months doing nothing but actually working on that particular conference. Additionally other personnel in that district office give of their time along with a community college or junior college to put on a particular conference.

Senator ROCKEFELLER. For the record, Mr. Chairman, I would like to know when the last series of training sessions for some of these VAO's was held and, with respect to Appalachia, at least, when they were held and where they were held. I would like to know that.

Mr. PARKER. As far as——

Senator ROCKEFELLER. These VAO's.

Mr. PARKER. It was approximately 1½ years ago, but we will furnish that for the record.

Senator ROCKEFELLER. Do you have a heavy turnover?

Mr. PARKER. We do have some turnover for administrative reasons, management reasons, and we have had——

Senator ROCKEFELLER. But the highly trained and qualified aspect stays constant?

Mr. PARKER. No, sir; not to the extent that you would have everyone trained instantly when they start the job. Every year it is our intention to offer a training program to update that VAO. This is the training we have been negotiating a contract with a firm for. I believe it is Diamond.

Senator ROCKEFELLER. When do you plan to have a director of the Office of Veterans' Affairs?

Mr. PARKER. This is a decision of the Administrator's. I will have to say this to you, sir, that Leon Bechet, first of all, has done a very satisfactory job as Acting Director before and since the death of

Steve Mollett, and Steve did a very fine, magnificent job for us and was bedridden for a number of months.

Since that time, we have debated whether to keep that career position or to go with a schedule C appointment for that position. That is under discussion at the present time.

Senator ROCKEFELLER. May I say, Mr. Chairman, that I very, very much hope that this will not be a permanent acting director situation. You and I both know, Mr. Parker, there is an enormous difference between an acting administrator, an acting department head, and one who is duly appointed. That reflects itself right on down through.

When I was Governor, I never appointed an acting director unless that person, by virtue of age or some months of experience, didn't have enough experience and I needed a few extra months. But the "acting" doesn't cut it, as far as I am concerned, and I think, Mr. Chairman, we should watch that carefully.

My second point is that I very much hope that the Director of the Veterans Affairs' Office is going to be a career person and that it will not be a political appointee. I would ask, is that not usually better in an organization such as yours, and is it usually not a more permanent, stable approach that the person be a career professional as opposed to a political appointment? Would you not agree that it is generally better to do things that way when you are talking about a line of duty?

Mr. PARKER. Senator, we have some excellent professionals in SBA. I think it would be hard for any agency to top them. We also have some very excellent political appointees who were appointed by the President and by the Administrator.

I would not care to comment on this because I don't know that you could categorize who could do the best job.

Senator ROCKEFELLER. I understand.

Mr. PARKER. But that decision will be made immediately, so I think we will take care of that problem.

Senator ROCKEFELLER. My final question, would you be prepared to supply this committee, and also supply me, with a breakdown of the \$3 million to which you referred? You indicated that the \$500,000 did not describe the outreach and training aspects of the veterans programs but that, in fact, upwards of \$2 to \$3 million had been spent. I would be very grateful to know what that was.

Mr. PARKER. All right, sir. We will be glad to do that.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Senator KERRY. Thank you, Senator.

In the interests of time, we have four panels, and I want to make sure we hear from all of them as they are all important to this process. So, I am going to try to submit some questions to you in writing, if I can, and I would appreciate for the record trying to get those back as soon as we can.

Mr. PARKER. Certainly.

[Subsequent information was received and follows:]

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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510

November 21, 1985

Honorable James C. Sanders
 Administrator
 Small Business Administration
 1441 L Street, N.W.
 Washington, D.C. 20416

Dear Mr. Sanders:

As a follow-up to the Committee's November 13 hearing on SBA's veterans assistance programs, we are enclosing a series of questions to which we would like your response.

We would appreciate receiving your answers in writing by December 6, 1985 so that they may be included in the Committee's printed hearing record.

Thank you for your attention to this matter.

Sincerely,

DALE BUMPERS
 Ranking Minority Member

LOWELL WEICKER, Jr.
 Chairman

JOHN KERRY
 United States Senator

Enclosure

1. Marshall Parker testified before the Senate Small Business Committee that SBA spent an estimated \$2.5 million to \$3 million on veterans assistance in FY 1985. Please provide a detailed breakdown on the total amount spent by the agency on veterans.

The \$2.5 million estimate for assistance to Veterans in FY 1985 was based on an FY 1983 Cost Allocation study. The purpose of the study was to identify the total cost, direct and indirect, of the various agency programs. Therefore, the study included both Central Office and Field Direct Costs along with the indirect costs such as legal, computer, and administrative support.

The conference reports accompanying our annual appropriations over the last several years has reflected specific sums to be made available to the Office of Veterans Affairs for the purpose of direct Veteran outreach. The funds utilized by the Small Business Administration for outreach efforts to the Veterans community nationwide exceeds the amount appropriated by Congress.

Congress specifically earmarked \$1 million for the Office of Veterans Affairs (OVA) in fiscal years 1984 and 1985. A similar appropriated level will be designated by Congress for FY 1986. Congress assumed these funds would be used to develop and implement a coordinated national management assistance and outreach effort for veterans. The \$1 million did not assume salaries of Veterans Affairs Officers (VAOs) in the field, or other incidental field expenses in arriving at this appropriation level.

1. Marshall Parker, in his June 7, 1985 letter to Senator Rockefeller, stated that "...\$1 million was made available in FY 1985. It is anticipated, however, that only about half, or \$500,000 will be utilized this fiscal year." Given the assumptions outlined in the paragraph above, please provide a detailed budget breakdown for OVA for fiscal years 1984, 1985 and 1986, including monies spent on salaries, grants and contracts, publications costs, mailing and other expenses.

As shown below, the Agency utilized those funds listed for the Central Office, Office of Veterans Affairs, as necessary:

Detail of Obligations by the Office of
Veterans Affairs, Washington, D.C.
(\$ in Thousands)

Object Classifications	Actual		Estimate*
	1984	1985	1986
Compensation	\$183	\$175	\$180
Benefits	18	16	20
Travel	58	13	20
Contract & Other	<u>386</u>	<u>26</u>	<u>980</u>
Total	645	230	1,200

*Based on FY 1986 Appropriation Report

2. Please provide the names, grade levels and responsibilities of OVA personnel. Has there been a reduction of the professional staff of the office? If so, why?

Leon J. Bechet	GM-15	Acting Director, coordinates the SBA's national program for veterans.
Jim Parker	GM-13	Assistant - Handles Regions 1-5 and 7, Eastern United States.
Greg Diercks	GM-13	Assistant - Handles Regions 6-10, except 7, Western United States.
Jackie Vienne	GS-10	Technical Assistant, Handles correspondence, statistics, reports.
Linette Abraham	GS-7	Secretary - Handles appointments, clerical duties.
Michelle Nunn	GS-4	Clerk-Typist, full time temporary.

There has been no reduction of the professional staff of the office.

3. What outreach activities, such as management training and counseling, seminars or workshops, disseminating veterans survey results, publications, etc., does OVA plan to coordinate during the remainder of FY 1986?

Conferences and Seminars

A minimum of 25 franchising and/or home-based business conferences (two per region) are planned for FY 86. An additional 150-200 special veterans training programs will be conducted by field offices independent of Central Office, OVA. However, OVA will provide a "how to" guide and coordination on many of these field training programs.

Counseling Activities

Veterans account for about 20% of SBA's counseling clients. In 1985, over 40,000 veterans received business counseling. That number should increase somewhat in 1986.

Program Information Outreach

The new Veteran's Handbook has been bulk-shipped to all VAO's for distribution to individual veterans. Quantity shipments are also being made available to veteran service organizations (VSO's). A letter from OVA to the VSO's will be sent announcing availability of the Handbook.

Research Dissemination

The results of OVA's research program will be disseminated to VAO's and interested organizations and individuals. A summary of the findings will be published in the Research Digest and will be widely distributed. The full texts of all the studies will be available through NTIS. Currently, five studies can be ordered from NTIS. Also, it has been proposed that a chapter on the annual State of Small Business be devoted to veterans research.

Disabled Veterans Outreach

A decentralized, national training program for disabled veterans is being planned for implementation in FY 86. The program will present the self-employment option to disabled veterans. VSO's and other resources will be used to deliver these training services. The VAO will not be the delivery resource but rather the coordinator.

Entrepreneurial Training

Two long-term, intensive training pilots are planned for FY 86, one in South Carolina and one in Hawaii. These 18-month programs are aimed at preparing a select group of veterans for business ownership. Disabled veterans are given priority in this training.

4. OVA has been functioning without a permanent director for almost one year.
 - a. Why has this position not been filled?
 - b. When will it be filled?
 - c. Will it be filled by a career employee or political appointee?

A search for a Director of the Office of Veterans Affairs is being conducted by the White House. The Administrator will select the best qualified candidate.

5. Why is OVA being moved from Special Programs to SBA's Business Development Office?

The Office of Veterans Affairs will continue to be included in Special Programs. Under our restructuring, the Business Development Office will be the facilitator for special programs and not just Veterans Affairs.

VETERANS AFFAIRS OFFICERS

1. Your 1982 Policy Statement on "Special Consideration" states that "Veterans Affairs Officers (VAOs) shall be appointed in each Regional and District Office, if not already designated. VAOs shall be highly qualified, trained and experienced in SBA programs and procedures." Please provide the names, grade level, qualifications and locations of all VAOs.

VETERANS AFFAIRS OFFICERS
SBA FIELD OFFICES

<u>VAO</u>	<u>CITY</u>	<u>ST</u>	<u>DIVISION</u>	<u>GRADE</u>	<u>TRAINED</u>
Sandro Goretti	Boston	MA	BD	14	NO
Alexander Austin	Boston	MA	PM	12	NO
Carl L. Sullivan	Augusta	ME	FA	12	YES
Robert C. Kelly	Concord	NH	LI	12	YES
Robert Young	Hartford	CT	FA	12	YES
Ora H. Paul	Montpelier	VT	FI	13	YES
Anthony Ricci	Providence	RI	PM	12	YES
Ernest D'Addario	New York	NY	BD	12	YES
Vacant	New York	NY	--	--	--
Anthony Marino	Newark	NJ	BD	12	NO
David Laveck	Syracuse	NY	PM	12	YES
Raul Garcia	Hato Rey	PR	BD	12	YES
Richard Keffer	Buffalo	NY	FA	12	YES
Tom Agan	Elmira	NY	FI	13	YES
Robert V. Miller	Melville	NY	BD	12	YES
Edward B. Wilford	Bala Cynwyd	PA	SA	15	NO
Robert E. Light	Bala Cynwyd	PA	AP	12	YES
Sam Reprogel	Baltimore	MD	BD	13	NO
Bill Durham	Clarksburg	WV	MA	12	NO
Michael Loftis	Pittsburgh	PA	FI	11	NO
Guy R. Cooter	Richmond	VA	LI	12	YES
Mike Dowd	Washington	DC	FI	13	NO
John Gallagher	Wilkes Barre	PA	FD	11	NO
William G. Durham	Charleston	WV	BD	12	NO
Kenneth J. Olson	Harrisburg	PA	BM	13	YES
John J. Giannini	Wilmington	DE	BM	13	YES
Charles Boyanton	Atlanta	GA	EX	12	NO
Hartsel Brady	Atlanta	GA	BD	12	YES
James W. Allen	Birmingham	AL	BD	13	YES
Tommy C. Rhodes	Charlotte	NC	PM	13	NO
Phillip H. Black	Columbia	SC	BD	12	NO
Tommy Traxler	Jackson	MS	BD	12	YES
Frederick W. Bethea	Jacksonville	FL	BD	12	YES
Forest Haynes	Louisville	KY	BD	12	YES
Harry J. Petrin	Miami	FL	BD	12	YES
Chester Mason	Nashville	TN	BD	12	YES
Jerry Haley	Biloxi	MS	FD	12	YES

<u>VAO</u>	<u>CITY</u>	<u>ST</u>	<u>DIVISION</u>	<u>GRADE</u>	<u>TRAINED</u>
Nancy Smith	Chicago	IL	BD	13	NO
Stan Magiera	Chicago	IL	BD	12	YES
Larry Pier	Cleveland	OH	BD	12	NO
Jerry Garman	Columbus	OH	BD	12	NO
Allen Cook	Detroit	MI	BD	13	YES
Paul Wyatt	Indianapolis	IN	BD	12	NO
Wayne Bashaw	Madison	WI	BD	13	NO
George Saumweber	Minneapolis	MN	BD	12	YES
Morris Moore	Cincinnati	OH	BD	12	NO
Arthur Grave	Milwaukee	WI	BD	12	NO
<u>Keith Andrews</u>	<u>Springfield</u>	<u>IL</u>	<u>BD</u>	<u>12</u>	<u>YES</u>
Joe May	Dallas	TX	EE	12	YES
David Long	Dallas	TX	FA	12	YES
Deward Stegall	Albuquerque	NM	BD	12	YES
Phillip Nelson	Harlingen	TX	BD	12	NO
Eugene Black Jr.	Houston	TX	FD	12	YES
Walter Thayer	Little Rock	AR	FD	13	YES
Tony Barnett	Lubbock	TX	MA	12	NO
Robert Pepino	New Orleans	LA	PM	12	NO
Jim Martin	Oklahoma City	OK	PM	12	NO
Anthony Reyna	San Antonio	TX	FD	12	YES
Jessie Sendejo	Corpus Christi	TX	FD	12	YES
<u>Contad Rameriz</u>	<u>El Paso</u>	<u>TX</u>	<u>PM</u>	<u>13</u>	<u>NO</u>
John Scott	Kansas City	MO	BD	14	S
Ken Bonar	Kansas City	MO	BD	13	YES
Stephen Lewis	Omaha	NE	FD	12	YES
Ted Little	Wichita	KS	BD	12	YES
Jim Gravitt	St. Louis	MO	BD	12	NO
Vern Sample	Des Moines	IA	FD	12	YES
Roger Hoffman	Cedar Rapids	IA	PM	12	NO
<u>Jim Laas</u>	<u>Springfield</u>	<u>MO</u>	<u>BD</u>	<u>12</u>	<u>YES</u>
Martin Wolf	Denver	CO	AD	15	YES
Al Lopez	Denver	CO	BD	12	NO
Philo Macdonald	Casper	WY	FD	11	NO
James Floyd	Fargo	ND	BD	12	YES
Jerry Christison	Helena	MT	BD	13	NO
Gerald Randall	Salt Lake City	UT	FD	13	YES
<u>Richard Bruflat</u>	<u>Sioux Falls</u>	<u>SD</u>	<u>FD</u>	<u>12</u>	<u>NO</u>
Steve Muhlhauser	San Francisco	CA	BD	13	YES
Don McMahon	San Francisco	CA	BD	14	YES
Vince Tammelleo	Phoenix	AZ	BD	13	YES
George Moll	Los Angeles	CA	BD	12	NO
Alan Converse	San Diego	CA	FD	12	YES
John McGoldrick	Las Vegas	NV	BD	12	NO
Richard Waidzunus	Honolulu	HI	MS	12	YES
<u>Warren Kightlinger</u>	<u>Fresno</u>	<u>CA</u>	<u>FD</u>	<u>12</u>	<u>YES</u>

	<u>CITY</u>	<u>ST</u>	<u>ZIP</u>	<u>DIVISION</u>	<u>GRADE</u>	<u>VET</u>	<u>TRAINE</u>
Sky Records	Seattle	WA	98121	BD	14	1	YES
David Morado	Seattle	WA	98174	LE	12	2	YES
Mike Siemion	Anchorage	AK	99513	BD	12	2	YES
Dan Mitchell	Spokane	WA	99201	BD	12	2	YES
Wayne Carver	Portland	OR	97204	FD	12	2	YES
<u>Michael Morfitt</u>	<u>Boise</u>	<u>ID</u>	<u>83702</u>	<u>BD</u>	<u>12</u>	<u>2</u>	<u>NO</u>
Leon Bechet	Washington	DC	20416	OVA	15	2	YES
James Parker	Washington	DC	20416	OVA	13	2	NO
Greg Diercks	Washington	DC	20416	OVA	13	2	NO

November 26, 1985

1221A Disk No. 0005A

Veteran Code:

- 1 None
- 2 5 point
- 3 10 point disability
- 4 10 point compensable disability
- 5 10 point other (Mother, wife, widow)
- 6 5 point Vietnam era
- 7 10 point disability Vietnam era
- 8 10 point compensable disability Vietnam era
- A 10 point compensable disability 30% or more
- B 10 point compensable disability Vietnam era 30% or more

2. Please explain the type of training that VAOs receive, the number of VAOs that have received this training, and your plans to train those that have not been instructed. Do you plan to contract out for these training sessions?

Attached is a description of the training that our VAO's received in December 1983. Fifty-five of those currently serving as VAOs received this training. We have entered into a contract for retraining the VAOs already trained and training those who have not received VAO training. We are targeting this training for January 1986.

VETERANS AFFAIRS OFFICERS TRAINING PROGRAM

An intensive two and one-half day workshop has been developed for Veterans Affairs Officers (VAOs) within the Small Business Administration. Content for the workshops addresses the three major concerns voiced by VAOs in their recent response to the needs assessment questionnaire. In the survey, VAOs asked for:

- o Information on the Vietnam-era veteran; 69% of those responding asked for more in-depth information on the Vietnam-era veteran.
- o A statement of a standard SBA veteran's program; 77% of those responding asked for a clear statement of the SBA's veteran's program and the VAO's role in it.
- o Information on "networking"; 52% of those responding asked for information on the services provided by other government agencies and veteran's groups.

These VAO concerns are directly reflected in the goals established for the training program. Goals for the workshops are to:

- o Provide background on the veteran population VAOs may encounter with emphasis on the Vietnam-era veteran.
- o Identify strategies and techniques to improve interaction with the Vietnam-era veteran.
- o Define specific VAO duties.
- o Provide uniform performance guidelines to discharge these duties.
- o Identify information and resources provided by other agencies and organizations to help the VAO perform his duties.
- o Have VAOs develop a "plan of action" to implement these duties.

Content related to program goals and activities is described in the accompanying syllabus.

SYLLABUS FOR THE VAO TRAINING PROGRAM

Introduction

This portion of the workshop will review workshop goals and content. In addition to an overview of the workshop, VAOs will be asked to identify any specific outcomes they wish to obtain from the workshop. These will be posted and addressed during the course of the workshop.

Information on the Vietnam-era Veteran

The goal of this portion of the workshop is to provide background information on the Vietnam-era veteran. The specific objective is to have VAOs develop a profile of the Vietnam-era veteran.

This session will also explore strategies for coping with the special situations VAOs encounter with angry veterans. Activities will include a critique of videotape situations and roleplaying.

Veterans Affairs Officers' Duties

The goal of this portion of the workshop is to explore the five major duties of the VAO. The specific objective for this portion of the workshop is to have VAOs list and discuss these duties; i.e., (1) counseling veterans regarding SBA programs, (2) networking, (3) outreach, (4) working with other SBA personnel to inform them of the agency's veteran's program, and (5) reporting VAO results. This section will establish uniform guidelines for discharging these duties. Activities will include exercises (such as identifying problem areas in the loan process) which will help VAO carry-out these duties.

Workshop Wrap-Up or "Pulling it All Together"

The goal of this final portion of the workshop is to review and summarize major topic areas. The specific objective is to have participants develop a workable "Plan of Action" for using workshop information once back in their work environment. This VAO "Plan of Action" will be reviewed and discussed.

VAO WORKSHOP SESSIONS

Session Number	Location	Regions to Attend	Dates 1983
1	Philadelphia, PA	I, II, III	Nov. 28,29,30
2	Atlanta, GA	IV, V	Dec. 5,6,7
3	San Francisco, CA	VIII, IX, X	Dec. 12,13,14
4	Dallas, TX	VI, VII	Dec. 19,20,21

Direct Loans

1. Congress appropriated \$25 million in FY 1985 to SBA for direct loans to veterans. Please provide a detailed breakdown of direct loans issued to veterans in FY 1985, and for each fiscal year since the program began.

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Total All Direct Loans to Veterans	\$33,162*	\$57,715	\$30,975
Total All Direct Loans to Vietnam-Era Veterans	\$18,040	\$42,659	\$20,508
Total All Direct Loans Under The Vietnam-Era And Disabled Veteran Loan Program (\$25 Million Appropriation)	\$ 8,411	\$19,847	\$ 8,634

*Dollars In Millions

2. Does the fall off in loans during FY 1985 reflect your policy to down-play direct loans at the Agency in general?

During FY 1985, there was a decrease in both direct and guaranty loans. There was a similar decrease in FY 1982, which included both direct and guaranty loans. We feel that these are cyclical changes based on the economy, public attitudes, and factors outside the control of SBA as an Agency.

3. What literature is available to let veterans know that this program exists? Please provide copies of any pamphlets.

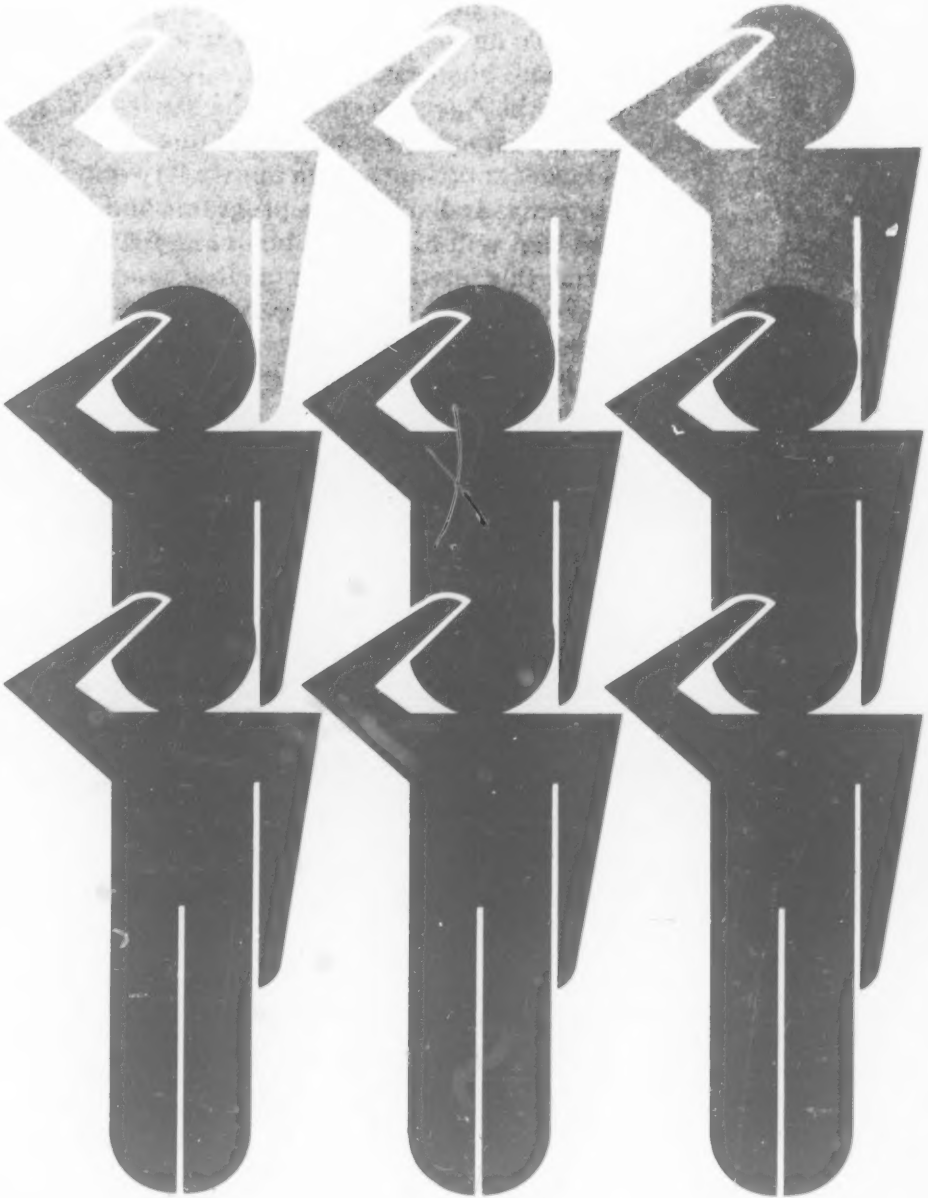
ATTACHMENTS:

- (1) Old Veteran's Handbook (out of print).
- (2) New Veteran's Handbook (just printed).
- (3) Fact Sheet No. 53

SBA

Veteran's Handbook

**U.S. Small Business Administration
Office of Veteran Affairs**



The Business of SBA

The **U.S. Small Business Administration** is a small, independent Federal agency, created by Congress in 1953 to assist, counsel, and champion the millions of American small businesses which are the backbone of this country's competitive free-enterprise economy.

The mission of SBA, simply put, is to help people get into business and to stay in business. To do this, SBA acts as an advocate for small business. At the direction of Congress, the Agency espouses the cause of small business, explains small business' role and contributions to our society and economy, and advocates programs and policies that will help small business. SBA performs this advocacy role in close coordination with other Federal agencies, with Congress, and with financial, educational, professional and trade institutions and associations.

The Agency also provides prospective, new, and established persons in the small business community with financial assistance, management counseling, and training. SBA also helps small firms obtain a fair share of government contracts.

The Agency has about 4,000 permanent employees and more than 100 offices in all parts of the nation. To provide quick service, SBA has delegated decision-making authority to its field offices in most of the program areas.

What is a Small Business

SBA generally defines a small business as one which is independently owned and operated and is not dominant in its field. To be eligible for SBA loans and other assistance, a business must fall within a size standard set by the Agency. This standard is based on annual receipts, assets, net worth and/or number of employees, depending on type of

industry and SBA program. Specific size standard information is available through any SBA office around the country.

Where to Obtain Help

In each SBA office, there is a person designated the "Veterans Affairs Officer (VAO)." This person should be your initial contact and resource person for information on Small Business Administration programs. You can contact the VAO by calling the number listed in the telephone-directory white pages under "U.S. Government—Small Business Administration." Ask for the name and extension of the Veterans Affairs Officer, if not specifically listed.

There is an **Office of Veterans Affairs under the Associate Deputy Administrator for Special Programs, Washington, D.C. 20416**. This office does not make loans or provide counseling, but was created to monitor SBA's assistance to veterans and address matters of general interest. The staff works closely with the national veteran service organizations and other Federal agencies in developing and monitoring the delivery of business-related services to veterans.

Financial Assistance

The Congress has authorized the Small Business Administration to make loans for business purposes. These are loans, not grants, and the applicant must demonstrate that the amount borrowed plus interest can be repaid from the earnings of the business. Applicants must meet eligibility requirements, and, generally, apply to at least one commercial bank. Veterans who meet these criteria and apply to SBA for a regular business loan are placed ahead of non-veterans who apply on the same day. If your application is incomplete, you could lose this special consideration.

SBA also administers a Handicapped Assistance Loan Program. Handicapped veterans compete on an equal basis with non-veteran handicapped persons for these loans, which have very low interest rates.

Packaging Applications

The SBA does not prepare applications for applicants. The SBA Veterans Affairs Officer can advise you how to obtain assistance.

Management Assistance

No one should start a business before attending an SBA pre-business workshop. Most SBA offices conduct these workshops on a recurring basis. Periodically, these workshops are conducted especially for veterans. The Veterans Affairs Officer can schedule you for a convenient location and time.

The SBA is also developing special business training projects for veterans to be held at several locations across the country. These will be announced in the local media and through the national veterans service organization publications.

Your local SBA office can help you with many of your specific business problems. Brochures that discuss specific business problems are available.

Procurement Assistance

If you are interested in contracting with the Federal Government, or have encountered problems in this area, a Veterans Affairs Officer can assist you or get answers to many of your questions.

A small business whose low bid for a government contract is rejected because of

uncertainty about whether it can fulfill the obligations can apply for an SBA Certificate of Competency. This determination by SBA can overrule the rejection and win the contract.

Working to Help Veterans

In its Advocacy program, SBA maintains contact with the small business community, including trade associations, and represents small business interests with other government departments and the Congress.

Veterans of the Armed Forces have fought to maintain the freedom that has made our country strong. SBA wants to assure that veterans receive the benefits of all of the programs the Agency provides. If you are a veteran and are interested in SBA services, call, write, or visit the Veterans Affairs Officer in your nearest SBA office.

United States of
America
**Small Business
Administration**
Washington, D.C.
20416

Policy Statement

Subject: Special
Consideration for
Veterans of the
Armed Forces

Public Law 93-237, which amended the Small Business Act, directed that the Small Business Administration give "special consideration" to veterans of the Armed Forces in all Agency programs. Since this law was first implemented by regulation in 1974, the SBA has provided thousands of hours of business counseling and training to veterans and in FY 1981 alone, made \$546.3 million in loans to this group. This represented more than 15% of the total SBA loan dollars for that year. While this record demonstrates a sincere effort to provide assistance to veterans, there has been a steady increase of concern from the national veterans services organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance.

While SBA programs are not entitlements or benefits in the traditional sense of other

veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran services groups that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration.

Therefore, I am directing that the following actions and policies be implemented:

1. There shall be established a permanent **Office of Veterans Affairs** within the **Office of the Associate Deputy Administrator for Special Programs**. This office shall be responsible for providing advice and counsel to SBA management on all legislative, regulatory, economic, and management policies affecting the interests of veteran entrepreneurs. Also, this office shall review SBA programs and the activities of other government departments and agencies whose policies and regulations affect the interests of veterans in business.

2. New regulations as necessary shall be issued to clarify and assure that veterans are, in fact, provided "special consideration" within each assistance program of SBA. Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SOPs within 60 days from this date.

Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding

of loan applications, with particular attention to be given to the handicapped and Vietnam-era veteran. The "Pechin Study" commissioned by SBA in 1980, and the Report of the SBA Veterans Task Force on Special Consideration for Veterans shall be used to guide the development of all these regulations.

3. Management assistance and business training for veterans shall be intensified over the next twelve months. In addition, special business training projects shall be initiated in at least five geographic locations convenient to reaching the maximum number of veterans. The skill and resources of the Small Business Development Centers, the Office of Public Information, and Agency procurement and technical assistance activities shall be employed in these projects. All other departments and activities of the Agency shall cooperate and lend support to this program as called upon.

4. Regional administrators and district directors are responsible for assuring the effective delivery of "special consideration" for veterans in all their operations and programs. Veterans Affairs Officers (VAOs) shall be appointed in each regional and district office, if not already designated. VAOs shall be highly qualified, trained, and experienced in SBA programs and procedures. These officers shall be readily accessible to veterans seeking agency assistance. Each program office shall monitor the performance of field offices in the effective delivery of services to veterans.

5. The Office of Administration, in cooperation with the Office of Veterans Affairs and each program office, shall assure that information and data concerning the participation of veterans in all SBA pro-

grams are collected, measured, and analyzed in a manner which serves the policy making needs of the Congress and Agency management. The Director, Office of Veteran Affairs, periodically reports to the SBA Management Board findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

The policies and actions set forth in this Statement are to be implemented immediately and shall be incorporated into the regulations and other operating procedures of SBA at the earliest possible date.



Fact Sheet No. 53

U.S. Small Business Administration

LOANS FOR VIETNAM-ERA AND DISABLED VETERANS

The Program

SBA offers a broad range of loan programs to all veterans. Most of these loans are made by financial institutions and guaranteed by SBA. Regular business loans usually do not exceed \$350,000 and are made only if financing is not available from other sources on reasonable terms. Special consideration is offered all veterans who apply for regular business loans.

Under a special loan program, funds are available for direct loans to disabled and Vietnam-era veterans. The same criteria are used as in the regular business loan program. These loans may be made to establish a small firm or assist in the operation or expansion of an existing business. The administrative ceiling on these loans is \$150,000. SBA cannot make a direct loan if a guaranteed loan or other credit is available.

Eligibility

All veterans must meet SBA standard loan criteria. They must first seek private financing before applying to SBA; show ability to run a business successfully; own and operate at least 51 percent of the firm; and have enough capital involved to operate on a sound financial basis. Veterans who meet SBA loan criteria are placed ahead of non-veterans who apply the same day, if their applications are complete.

Vietnam-era veterans are those veterans who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably; and Vietnam-era veterans discharged for service-connected disability; disabled veterans are those veterans with compensable 30 percent or more disability; or, veterans with a disability discharge.

Interest

The interest rate for SBA's 7(a) Business Loan Program and the special veterans program is $11\frac{1}{2}$ percent.

Collateral

Loans must be of such sound value or so secured as reasonably to assure repayment. Available collateral and other guarantees will be required.

How to Apply

All applications should be submitted to the nearest SBA office. More detailed information may be obtained from the Veterans Affairs Officer at any SBA office.

SBA

U.S. Small Business Administration
Office of Veterans Affairs



The Business of SBA

The U.S. Small Business Administration (SBA) is a small, independent Federal agency created by Congress in 1953 to assist, counsel, and champion the millions of American small businesses which are the backbone of this country's competitive free enterprise economy.

The mission of SBA, simply put, is to help people get into business and to stay in business. To do this, SBA acts as an advocate for small business. At the direction of Congress, the Agency espouses the cause of small business, explains its role and contributions to our society and economy, and advocates programs and policies that help small business prosper. SBA performs this advocacy role in close coordination with other Federal agencies, with Congress, and with financial, educational, professional, and trade institutions and associations.

In addition to its advocacy role, the Agency provides the small business community with financial assistance, management counseling, and business training. SBA also helps small firms obtain a fair share of government contracts.

The Agency has about 4,000 permanent employees and more than 100 offices in all parts of the Nation. To provide efficient service, SBA has delegated decision making authority to its field offices in most of the program areas.

What is a Small Business

SBA generally defines a small business as one which is independently owned and operated and is not dominant in its field. To be eligible for SBA loans and other assistance, a business must fall within a size standard set by the Agency. This standard is based on annual receipts, assets, net worth, and/or number of employees, depending on type of industry and SBA program. Specific size standard information is available through your nearest SBA office. Most businesses are considered small by SBA standards.

Where to Obtain Help

In each local SBA office, there is a person designated as the **Veterans Affairs Officer (VAO)**. This person should be your initial contact and resource person for information on SBA programs. You can contact the VAO by calling the number listed in the telephone directory white pages under "U.S. Government-Small Business Administration." Ask for the name and extension of the VAO if not specifically listed.

There is an Office of Veterans Affairs under the Associate Deputy Administrator for Special Programs, Washington, DC 20416. This office does not make loans or provide counseling, but was created to monitor SBA's assistance to veterans and address matters of general interest. The staff works closely with national veteran service organizations and other Federal agencies in developing and monitoring the delivery of business related services to veterans.

Veterans' Special Consideration

Veterans of the Armed Forces have fought to maintain the freedom that has made our country strong. SBA wants veterans to receive the benefits of all of the programs the Agency provides. To ensure this, the Administration announced in a policy statement in May, 1982 that veterans will be given "special consideration" in Agency programs. Special consideration involves designing management training programs specifically for veterans, processing veterans' loan applications before non-veterans applications submitted that same day, monitoring loan and procurement activities to measure veteran participation, coordinating training and counseling activities for veterans with other Agency departments, and allocating a portion of Agency direct loan funds for veterans. So if you are a veteran and are interested in SBA services, call, write, or visit the VAO in your nearest SBA office.

Business Development

No one should start a business before attending an SBA pre-business workshop. Most SBA offices conduct these workshops on a recurring basis. Periodically, these workshops are conducted especially for veterans. The VAO can schedule you for a convenient location and time.

The SBA also is developing special business training conferences for veterans to be held across the country. These will be announced in the local media and through national veterans service organization publications.

Your local SBA office can help you with many of your specific business management problems. Each District Office has business development officers who can direct you to organizations affiliated with SBA which provide in-depth management training and counseling to small business owners.

The Service Corps of Retired Executives (SCORE), for example, can provide one-on-one management counseling for the veteran. The Small Business Development Center (SBDC) program, a nationwide university-based counseling and training operation, can provide long-term

management assistance to small businesses. SBA also offers over 130 different small business management partnerships free for the asking. Contact your VAO for information on SBA's management assistance programs.

Financial Assistance

The Congress has authorized SBA to make loans for business purposes. However, before SBA can consider a loan application, the applicant must show that funding is not otherwise available on reasonable terms. A letter of disclaiming from the bank is required. Remember, these are loans, not grants, and the applicant must demonstrate that the loan can be repaid from the earnings of the business. Veterans who meet SBA loan criteria are placed ahead of non-veterans who apply on the same day. However, if your application is competitive, you could lose this special consideration.

All veterans must meet the same SBA standard loan criteria as any other applicant. They must show that funds are not otherwise available, that an ability to repay the loan from the earnings of the business, have sufficient equity in the business, and offer adequate collateral. All veteran-owned businesses must also meet SBA's loan standards and not be involved with gambling, speculation, lending on revolving, the index exceeds IV and ratios, or real property sale or investment.

For eligible applicants, SBA offers a broad range of loan programs. Most of these loans are made by financial institutions and are guaranteed by SBA. Regular business loans are available to veterans on a special consideration basis. These loans usually do not exceed \$350,000, have a maturity of up to 25 years, and have a competitive interest rate based on the New York City prime rate.

Congress has authorized a special fund to enable SBA to make direct loans to Vietnam era and disabled veterans. To be eligible, a veteran has to have served on active duty for more than 180 days, any part of which was duty between August 5, 1964 and May 7, 1975 or have a Veterans Administration (VA) rated disability of at least 30% and be entitled to disability compensation from the VA.

Veterans who apply for direct loans under this special Vietnam era and disabled veterans program must meet the lending criteria for regular business loans. The ceiling for a direct loan is \$150,000 and no direct loan can be made if a guaranteed loan or other credit is available. The interest rate on these direct loans is the same as for regular business loans. An ability to repay, collateral, and other guarantees are required of the veteran applicant.

SBA also administers a Handicapped Assistance Loan Program. Handicapped veterans compete on an equal basis with non-veteran handicapped persons for these loans which have very low interest rates.

Small Business Investment Companies (SBIC's)

SBIC's are privately owned investment companies which are licensed and regulated by SBA to provide equity financing and long-term loans to small companies with rapid growth potential. A single SBIC or group of SBIC's finance small firms by purchasing their stock (ownership), by purchasing stock with warrants to purchase additional stock, by purchasing debt securities from the small firm, or by making long-term loans.

To qualify for SBI financing, a small business must be independently owned, not dependent on its field, have an investment of less than \$6 million and have an average or average and income of less than \$2 million for the preceding two years.

The limit of an SBIC loan or equity purchase varies with the size of SBIC assets. No single loan can exceed 20% of the SBIC's capital and surplus. Loan maturities usually range from five to 20 years with interest rates based on current average market yields of comparable U.S. Government obligations. Your VAO will be able to direct you to your nearest SBIC.

State Development Companies (SDC's)

Also known as Business Development Corporations and Development Credit Corporations, SDC's are organized under state law to make equity investments and long-term loans to the small business sector. SDC's borrow funds from the SBA and other members, usually banks, insurance companies, or other financial institutions, and in turn, finance the expansion, growth, and modernization of existing small firms.

Long-term loans have maturities of up to 25 years. Any domestic small business is eligible except those involved with gambling or reinvesting of borrowed funds.

The SBA also provides financing to small businesses through Local Development Companies (LDC's) and Certified Development Companies (CDC's). Under both of these programs, small businesses can receive long-term loans to acquire fixed assets and capital. If you own an existing company and want to expand or modernize, ask your VAO about the availability of funding through SDC's, LDC's, or CDC's.

Surety Bond Guarantee Program

Small firms sometimes have difficulty in winning commercial contracts for large jobs because of doubts about their ability to meet all contract specifications and schedules. To protect contractors against default by a smaller firm and to enhance small business competitiveness, commercial surety companies bond smaller firms by guaranteeing to pay the contractor if the smaller firm fails to live up to the contract.

In some instances, your surety underwriter might be able to provide you a contract bond under SBA's bond guarantee program. Under this program, SBA guarantees the surety company against any loss sustained on contracts up to \$1,000,000. Any business which had average annual sales receipts of \$3.5 million or less for the past three years is eligible. There is a fee of \$5 per thousand dollars of contract amount charged to the small business by SBA for participation in this program.

For more information contact your local VAO and ask for a copy of Fact Sheet 21 **Surety Bond Guarantee Program**.

Packaging Applications

The SBA does not prepare loan applications for SBA loans. SBA can provide information on how to prepare a loan package for private financing. Look under **Financing Your Business** in this booklet for more information.

Procurement Assistance

The Small Business Act requires that SBA ensure small businesses receive a fair share of Federal contracts and subcontracts.

If you are interested in contracting with the Federal Government or have encountered problems in this area, a VAO can assist you or get answers to many of your questions. For small businesses interested in subcontracting opportunities, ask for a free copy of the **Small Business Subcontracting Directory**.

Sometimes a small business with the low bid for a government contract is rejected because of uncertainty about whether it can fulfill its contractual obligations. That business can apply for an SBA Certificate of Competency. A determination by SBA can overrule the rejection and win the contract.

SBA also has available a **Procurement Automated Source System (PASS)** program for small businesses interested in procurement opportunities. Under this program, the capabilities of a small business are stored in a computerized data retrieval system and are available to be matched with the needs of a Government agency or a prime contractor. Ask your VAO for a PASS registration form.

Advocacy for Veterans

In its Advocacy program, SBA maintains contact with the small business community, including trade associations, and represents small business interests with other Government Departments and the Congress.

What to Consider Before Going into Business

Before trying to start a business, you should try to answer certain questions. If you cannot answer some of the questions, seek assistance from your banker, lawyer, accountant, or an SBA Veterans Affairs Officer. Ask yourself:

Why do I want to start my own small business? A good answer might be that you have something of value to sell, something there is a market for.

What product or service am I selling? Be specific.

How much money will I need to get started? Usually a new business needs enough money to cover expenses for at least one year. Expenses also include your salary as the owner as well as the repayment of bank or SBA loans.

Who are my customers? Local Chambers of Commerce, banks or universities have marketing data. SBA also can help with marketing analysis through its Small Business Development Center program.

What price will I charge? An accountant can help on pricing. SBA field offices can provide publications on pricing strategy.

What Federal, State, and local tax laws, and registration and zoning requirements must I meet? A lawyer can explain legal requirements. Often States have business information packets available for the asking.

What skills will I need to operate my business successfully? Check with your VAO on SBA training activities.

What skills do I lack and how can I acquire them? Again, check with SBA on the training schedule in your area.

Financing Your Business

Borrowing money is something nearly all business owners do at one time or another. To be a successful loan applicant you will need to convince a lender that you are a reasonable risk. You need to explain how you will use the loan, how much you need to borrow, and how you will repay it.

Generally, business owners borrow to finance a start-up, an inventory build-up, accounts receivable, the expansion of facilities, or the purchase of another company. But regardless of why you want to borrow, lenders always want to minimize their own risk. They will not lend you money unless you can convince them you are able to repay the loan. Banks do not make grants and SBA's loan program does not make grants. All loans received through SBA must be repaid, and no loan will be approved without showing an ability to repay.

One way lenders reduce their risk is to require borrowers to put some of their own money into the business. In other words, the borrower should have significant equity or "risk" in the business. For example, if you want to purchase land for future expansion, a bank often will make a commercial mortgage loan only after a 20% to 25% (sometimes more) down payment (equity investment) by the owner. The bank then will finance the balance.

Traditional lenders, such as banks, are not the only sources of funding available to small businesses. Newer entrants into the financial field, such as commercial finance companies, venture capital firms, local development companies, and life insurance companies, also should be considered. Ask the VAO at your local SBA office for information about these various funding sources.

There also are alternatives to borrowing. Trade credit, selling stock, and equipment leasing are a few. Leasing, for example, is a method of acquiring capital without going to the bank. The advantage of leasing is that it does not tie up your cash. The disadvantages are that capital will cost you more than the outright purchase cost and that it has no resale or salvage value since you do not own it.

Lending Criteria

What specifically do lenders look for from a prospective borrower? A financial institution's lending policies fall into three general areas: they assess a borrower's personal and business history, they employ a risk reduction program, and they consider potential disqualification factors.

Lenders investigate the:

- Personal credit record of the borrower
- Financial history of the business
- Growth of the business
- Profitability of the business
- Physical condition of the facilities and equipment
- Experience of the key managers

To reduce risk, lenders require some of the following:

- An equity pledge by the owner to the lender
- A personal assets pledge by the owner to the lender
- The cosigning on the loan by all principals or guarantors
- A lien on all assets and personal properties of the owner(s)

In other words, some form of collateral will be required by a lender. This can include your own personal property.

Factors that might cause a loan application to be turned down include:

- Prior business bankruptcies
- A bad debt record
- Low company earnings
- Low value of secured collateral
- Management inexperience
- Unfavorable liquidity, debt, and profitability ratios
- A criminal record

How to Apply for a Loan

Those already in business should:

1. Prepare balance sheets for the past three years listing all assets and all liabilities of the business. Also prepare a projected cash flow sheet for the upcoming year.
2. Have earnings (profit and loss) statements for the past three years. Prepare a detailed listing of key financial ratios including: current ratio, return on investment, debt to equity, inventory turnover, sales to receivables, and the operating ratio.

3. Prepare a current personal financial statement of the owner or each partner or stockholder owning 20 percent or more of the corporate stock in the business.
4. List collateral to be offered as security for the loan, with an estimate of the present market value of each item.
5. State the amount of the loan requested and the exact purposes for which it can be used.
6. Take this material to your banker. Ask for a direct bank loan and if you are declined, ask the bank to make the loan under SBA's Loan Guarantee Plan or Immediate Participation Plan. If the bank is interested in an SBA guaranteed or participation loan, ask the banker to contact SBA's Veterans Affairs Officer or Loan Officer for discussion of your application. In most cases of guaranteed or participation loans, SBA will deal directly with the bank.
7. If a guaranteed or a participation loan is not available, obtain a letter of decline from letters in cities of 200,000 or more and write or visit the VAO at the nearest SBA office. SBA has 110 field offices which often send loan officers to visit many smaller cities as needed. To speed matters, make your financial information available when you first write or visit SBA.
2. Describe your experience and management capabilities. If there are other key personnel, give their backgrounds also.
3. Prepare an estimate of how much you or others have to invest in the business and how much you will need to borrow. Explain how the loan will be used and how you plan to repay it.
4. Prepare a current balance sheet listing all personal assets and all liabilities.
5. Prepare a detailed projection of earnings (profit and loss statement) for the first year the business will operate. Explain on what these projections are based: what your market is, what price you will charge, what volume you will do, how you will distribute your product, and what your competition is.
6. List collateral to be offered as security for the loan, indicating your estimate of the present market value of each item.
7. Follow steps 6 and 7 for those already in business.

Those wanting to start a business should:

1. Describe the type of business you plan to establish. Give the name of the firm, its location, its product, its facilities, its legal structure, and its business goals.

A Final Word

If you have any questions about SBA veterans' or other programs, contact your local VAO. The VAO is there to help you.

4. Senator Kerry's office surveyed 87 of the 100 SBA offices around the country and found that over 40 percent of SBA District Offices denied that there is a special loan program for veterans. What specific directives have you given the field to make sure that they are aware of the Agency's loan program?

ATTACHMENTS:

- (1) Ed Holloway Memo dated March 11, 1983.
- (2) SOP 5010 2.
- (3) Administrator's Memo, September 1984.
 ministrator's Memo, June 11, 1985.



Washington, DC 20416

MEMORANDUM

Date: MAR 11 1983
 From: AA/F&I
 Subject: Availability of Loan Funds

To: All Regional Administrators
 District Directors
 Branch Managers

In our memorandum of December 22, 1982 we stated that you would be advised promptly in the event of any change in direct funding availability.

On Thursday, March 10, the House of Representatives passed a resolution to reject the proposed deferral of funds authorized for SBA direct and guaranty loans in P.L. 97-317. The effect of this action is to make funding available for the fiscal year in the following programs and amounts:

(Dollars in Millions)

	<u>Direct & I.P.</u>	<u>Guaranty</u>
General Business 7(a)	\$85.0	\$2,510.0
Handicapped	15.0	5.0
Economic Opportunity	15.0	60.0
Energy	5.0	15.0
Veteran's	25.0	-0-
Development Company	-0-	250.0

In no event, are applications for direct loans to be refused based upon unavailability of funds. If any field offices have been maintaining "short lists," those applicants listed are to be advised immediately that complete and qualified applications will be accepted for processing.

Fund allotments for general 7(a) and 7(a)(11) loans will be issued in the next few days to regional offices. Funds for E&I, Energy and the newly authorized veteran's loan program, will be provided on a case by case basis upon request through the regional budget officer.

Additional guidelines and requirements for veteran's loans will be provided shortly.

Nothing herein is intended to force the usage of funds in cases which do not meet established Agency lending criteria, but to assure that qualified applicants are not denied access to funds which are available.

Edwin T. Holliday
 Edwin T. Holliday
 Associate Administrator
 for Finance and Investment

FACT SHEET

U.S. SMALL BUSINESS ADMINISTRATION

BUSINESS LOANS FOR VIETNAM-ERA AND DISABLED VETERANS

The Program

To provide Vietnam-era and disabled veterans with special financial assistance under 7(a) criteria when credit is not available elsewhere. Such loans may be made to establish and/or assist in the operation and expansion of an existing business. Direct loans will be limited Administratively to \$150,000 (statutory limit is \$200,000). Guaranty loans are available to eligible applicants under the regular Business Loan Program. If a guaranty loan is available a direct cannot be considered.

Eligibility

Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably; Vietnam-era veterans discharged for service-connected disability; disabled veterans with compensable 30% or more disability; or, veterans with disability discharge. A business concern must meet SBA's eligibility criteria and be at least 51% owned by eligible veterans, who must direct the management and daily business operations. It is not intended that this program be used by eligible veterans to promote investment interests.

Interest

The interest rate will be the same as for SBA's 7(a) Business Loan Program.

Collateral

Loans must be of such sound value or so secured as reasonably to assure repayment. Available collateral and other guarantees will be required.

Applications for Loan

A small business concern may make application at the nearest SBA office. More detailed information may be obtained from the Veterans Affairs Officer at any SBA office.

Other veterans who do not qualify under this program are entitled to special consideration under the SBA 7(a) Business Loan Program.

S.O.R.
DRAFTVeterans Loan Programa. Program Purpose

This program is authorized by Public Law 97-377 to provide financial assistance to Vietnam-era and disabled veterans on a direct basis. Guaranty loans under the regular Business Loan program must be used if available before a direct loan can be considered.

All provisions of the regular Business Loan program apply except as specifically provided herein.

b. Eligibility

The small business concern must be owned (a minimum of 51%) by an eligible veteran(s). Management and daily operation of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan. Eligible veterans include the following:

- (i) Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964, and May 7, 1975, and were discharged other than dishonorably.
- (ii) Disabled veterans of any era with a minimum compensable disability of 30%, or a veteran of any era who was discharged for disability.

The basis for the eligibility determination shall be outlined in the loan report and confirmed in the case file. Vietnam-era tenure will be confirmed by a copy of Form DD 214. To confirm disability, the applicant must secure a letter of disability percentage certification from the Veterans Administration, current within 30 days.

c. Single Loan Benefit

The veteran status of an individual may only be used one time to qualify for an SBA loan. After having received an SBA loan with eligibility based on veteran status, second or refunding loans can be considered only under the regular Business Loan program or based on the ownership by other eligible veterans (51% minimum ownership by persons of unused eligibility). Individuals who formerly received ECLs based on veteran status have used their loan benefit and may not be considered for the Veterans Loan program.

d. Loan Amount

Direct loans will be limited administratively to \$150,000.

S.O.P. CONTINUATION SHEET	S.O.P.		REV
	SECTION	NO.	
	50	10	2
38			
Debt payment proceeds are eligible where the debt being refinanced was incurred for purposes that are eligible under subparagraph b above. Proceeds for research and development may not exceed 30 percent of the total loan amount and may be permitted only where a business plan indicates strong prospects of repayment, or where the further development of a product or service already being marketed is involved. d. <u>Loan Identification</u> Applications shall be filed on SBA Forms 4 and 4-I, "Application for Loan." The prefix "SBE" shall be used and the regular loan number sequence shall be followed.			
39 <u>DIRECT LOANS TO VIETNAM ERA AND DISABLED VETERANS</u>			
a. <u>Program Purpose</u> This program provides financial assistance to Vietnam-era and disabled veterans on a direct basis. Private sector financing and guaranty loans under the regular Business Loan program must be used if available before a direct loan can be considered. All provisions of the regular Business loan program apply except as specifically provided herein. b. <u>Eligibility</u> The small business concern must be owned (a minimum of 51%) by an eligible veteran(s). Management and daily operation of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan. Eligible veterans include the following: (i) Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964, and May 7, 1975, and were discharged other than dishonorably. (ii) Disabled veterans of any era with a minimum compensable disability of 30%, or a veteran of any era who was discharged for disability.			
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S.O.P. CONTINUATION SHEET	S.O.P.		REV
	SECTION	NO.	
	50	10	2

39

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40. LOANS TO QUALIFIED EMPLOYEE TRUSTS

a. Program Purpose

This program is authorized by Section 7(a)(15) of the Small Business Act to provide financial assistance to eligible employee trusts. Loans under this program are to be processed under the guaranty plan only. The objective is to provide financial assistance to eligible employee trusts to be used for either of two purposes:

- (1) to relend to their employer concern (growth and development loan)
- (2) to purchase ownership in their employer concern (change of ownership loan)

b. Use of Proceeds

(1) Growth and Development Loans

The trust may relend loan proceeds to the employer by purchasing qualifying employer securities but not necessarily voting stock. These qualifying employer securities can take the form of bonds, debentures, or other types of voting or non-voting securities.

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3/15/85	134



U.S. Small Business Administration
Washington, DC 20416

Report
Memorandum *to*
1/4/80
12/80

Date:
From: Administrator
Subject: Veteran's Loan Program

To: All Regional Administrators
All ARA's F&I
All District Directors
All ADD's F&I
All Branch Managers

As we approach the end of our fiscal year, we have received an increasing amount of criticism over a perceived lack of activity in the area of assistance to veterans. We believe that a large part of this perception results from the limited use of the direct funds specifically provided to SBA for loans to Vietnam and disabled veterans.

However, we also believe that the adverse effects of this perception are compounded when SBA staff members in some field offices apparently comment to the public that we have no special program for veterans.

For this reason, it is most important that all of our staff members, particularly those that provide program information to the public, are fully aware of the existence of the Veterans Loan Program, the fact that adequate funds have been available through this fiscal year, and we are assured of the continuing availability of funds for the program in fiscal 1984.

In discussing the veteran's program with the public, we believe it is important to explain that while special consideration is afforded in reservation of funds, in the expeditious processing of loan requests, special management assistance programs, and the availability of Veterans Affairs Officers, the credit criteria for the granting of such loans are not different from our other loan programs. This recognizes the fact that in any and all loan programs, repayment ability must be established in order to receive loan approval.

It is also necessary to recognize that our basic statute prohibits the granting of a direct loan if a bank loan or SBA guaranteed bank loan is available. Therefore, while our usage of veteran's direct loan funds may have been only about \$8 million this fiscal year, guaranteed loans to veterans have reached approximately \$400 million, roughly 24% of all SBA loan dollars.

I want to stress that in providing information to the public on the veterans program, considerable care must be taken so that a balanced and accurate view of the program is provided. Further, I want to be sure that appropriate program personnel continue to make every effort to provide assistance under the Veteran's Loan Program to all applicants that can meet existing Agency eligibility and credit requirements.

James C. Sanders

James C. Sanders
Administrator



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

JUN 11 1965

Date:

To: Regional Administrators
District Directors
District Veterans Affairs Officers

From: Administrator

Subject: "Special Consideration" to Veterans

Providing "special consideration" to veterans continues to be a priority effort with SBA.

We have received feedback indicating a misunderstanding about direct loans to veterans. Please be advised that funds are budgeted and should be made available to credit worthy qualified veterans.

For your information, Vietnam era and disabled veterans have received 115 loans totalling \$6,729,710 this fiscal year. Twenty-five million dollars have been appropriated for loans to this group.

The Office of Veterans Affairs can furnish you with accurate and up-to-date information on SBA's veterans program. If you have any questions, please call the Office of Veterans Affairs at (FTS) 653-8220.

James C. Sanders
James C. Sanders



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D. C. 20416

Date: June 19, 1985

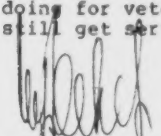
To: All District Directors
All Regional and District VAOs

From: Acting Director, Office of Veterans Affairs

Subject: Update on SBA's Veterans Program

The enclosed information should bring you up to date on the SBA's Veterans Program.

Thank you for your cooperation with us and for the job you are doing for veterans. Spread the word that veterans can and do still get service from the SBA.



Leon J. Bechet

Enclosure

SBA's VETERANS PROGRAM IS ALIVE AND WELL

On June 11, 1985, Administrator Jim Sanders reiterated the priority nature of the SBA's Veterans Program in a memorandum to Regional Administrators, District Directors, and District Veteran Affairs Officers. Rumors about the de-emphasis of the program should now be dispelled. The Administrator also pointed out that, contrary to information on the status of direct loan funds, there is still about \$18.0 million available for direct loans to eligible and qualified Vietnam-era and disabled veterans. Criteria and interest rates are the same as in the 7(a) loan program with an administrative ceiling of \$150,000. These veteran funds do not show in your operating budget. The funds are handled like HAI funds -- you call in the approval to your Region and the funds are allocated on a case by case basis by Central.

WELCOME - IT'S GOOD TO HAVE YOU ABOARD

There have been a number of changes in the ranks of Veteran Affairs Officers, and we haven't had a chance to meet some of you or talk to you about our program. Our office is changing, too. We now have two able assistants: Jim Parker, who will be liaison to Regions I, II, III, IV, V and VII; and, Greg Diercks, Regions VI, VIII, IX, and X. You can reach Jim or Greg by dialing (FTS) 653-8220 to discuss any veteran questions you may have or information you wish to share. Leon Bechet will continue to serve as Acting Director of the Office of Veterans Affairs and is available to assist you along with the staff.

WHAT'S AN ADVISORY COMMITTEE ON VETERAN BUSINESS AFFAIRS?

With the approval of OMB, SBA has the services of an Advisory Committee on Veteran Business Affairs, comprising representatives from the national veteran service organizations, other government agencies, and veterans. There are about 17 members, and the Committee will have an open meeting on June 25, 1985 to discuss recommendations to improve our Veterans Program.

FRANCHISING FOR VETERANS

Orlando, Florida has been targeted for a rather unique pilot program on franchising opportunities for veterans. We're exploring the idea that cooperation with the private sector can result in a quality program at minimum cost to the government and negligible impact on the local SBA office. You'll be hearing more on this in the near future.

HOW'S YOUR VBRC?

We are interested in knowing what your experiences are with the Veterans Business Resource Councils. Back in August 1983, the proposal was made to have at least one VBRC per Region by November 30, 1983. We understand that there are about ten in existence now. Some are SBA sponsored and others are sponsored by the states or by other organizations.

Congress is currently proposing that we develop guidelines and encourage the establishment of VBRCs in all of the states. Please let us have your assessment, ideas and recommendations. If you have a VBRC or have strong feelings drop us a note. You may want to suggest to the members of the VBRC that they do the same. Jim Parker is our staff contact person.

FIRST WHITE HOUSE CONFERENCES SCHEDULED FOR AUGUST

On August 9, the first of the state conferences leading to the National White House Conference on Small Business will be held in Richmond, Virginia. Three more state conferences have been scheduled for the month of August in: Wilmington, Delaware, August 15; Birmingham, Alabama, August 20; and Atlanta, Georgia, August 23. Each one-day conference will include an opening session, issue workshops, and delegate elections.

SBA's Office of Advocacy has been working with task forces made up of experts and small business owners to develop conference materials and background briefing papers for the participant's use. Among the topics expected to be addressed are capital formation, tax policy, education and training, payroll costs, procurement, regulatory policy, international trade, and economic policy.

A complete schedule of the state conferences will be released by the National White House Conference office on June 19.

VIETNAM-ERA VETERANS AND ENTREPRENEURSHIP

The characteristics and disability status of Vietnam-era veterans play an important role in their entrepreneurial aspirations and business experiences according to a study for the SBA's Office of Veterans Affairs by Jerry Boren, Director of the Veterans Small Business Project. The study was based on a survey of 472 Vietnam-era veterans drawn from four states: Massachusetts, New York, Ohio, and Texas.

Strong entrepreneurial aspiration was most commonly found among veterans who are members of minority groups, especially those who were unemployed or have low incomes and no college education. Occupation was the best predictor of entrepreneurial aspiration: blue collar workers were more likely than white collar to have strong aspirations. Veterans were most likely to either open or want to open a business in the retail or services sector, and about one-third each expected to use their savings, secure a government loan, or obtain a bank loan for their initial capital or financing.

Disabled veterans were much more likely than the nondisabled to have been unsuccessful in efforts to start and operate a small business. Successful entrepreneurs were more likely to have had some college education and to have received start-up capital or credit from an institutional source. Successful enterprises were more likely to be in the manufacturing or finance, insurance and real estate sectors and less likely to be in the retail, transportation, or agricultural sectors.

Seventy-one percent of the Vietnam-era veteran business owners left or closed their businesses within the first two years of operation. The vast majority -- 92 percent -- of veteran-owned business was very small, employing fewer than 20 workers.

Information on the report may be obtained from the Office of Veterans Affairs at (202) 653-8220 or the Office of Advocacy at (202) 634-7550.

HERE ARE SOME OF OUR VETERAN LOAN STATISTICS

REPORT OF VIETNAM-ERA AND DISABLED VETERAN LOANS Fiscal Year 1985 through 5/31/85

Region	# Vietnam Veterans	Program Loans (#/\$) (Vietnam-era and Disabled Veterans)	Direct Loans #/\$ (000)
Region I	490,000	21 \$ 950,850	29 \$ 1,325
Region II	694,000	10 583,300	36 1,972
Region III	895,000	11 622,500	14 901
Region IV	1,406,000	12 844,660	21 1,053
Region V	1,576,000	18 1,234,200	20 1,488
Region VI	990,000	2 85,000	24 865
Region VII	431,000	1 25,000	20 907
Region VIII	305,000	3 36,500	10 325
Region IX	1,119,000	11 578,000	20 1,079
Region X	520,000	26 1,769,700	31 1,837
Agencywide		115 \$6,729,710	225 \$11,752

REPORT OF LOANS TO ALL VETERANS
FISCAL YEAR 1985 THROUGH 5/31/85

Region	Direct Loans		Guaranty Loans	
	\$	\$(000)	\$	\$(000)
I	37	1,883	196	35,315
II	61	2,917	201	30,900
III	18	1,237	82	13,896
IV	29	1,711	193	45,176
V	32	2,791	338	67,350
VI	35	1,589	325	58,599
VII	31	1,461	416	63,373
VIII	14	452	204	31,756
IX	33	1,971	419	79,528
X	35	3,137	149	27,808
Agencywide	325	19,194	2,523	452,929

ITEMS YOU'LL BE HEARING MORE ABOUT VERY SOON

- o The "Veterans Handbook" which will be known as the "Veterans Business Resource Guide"
- o VAO Training - Including You
- o Statistics on Businesses owned by Veterans
- o Inventory of Veteran Training Opportunities
- o We'd also like to report on how you like this format for getting our story out if you'd let us know what you think of it



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: October 10, 1985

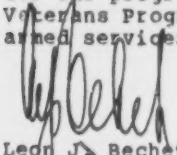
To: Regional Administrators
District Directors
Regional and District VAOs

From: Acting Director, Office of Veterans Affairs

Subject: Update on SBA's Veterans Program

The enclosed information should bring you up to date on the SBA's Veterans Program.

Thank you for your cooperation with us and for the job you are doing for veterans. Our reorganization should assist us to better serve veterans, and the continued appropriation of funds for our program should reinforce our conviction that the SBA Veterans Program is crucial to the needs of veterans of the armed services of our nation.


Leon J. Bechet

Enclosure

REORGANIZATION

As the clouds that overshadowed SBA's continued existence clear, we're off and running on a reorganization designed to make what we do relevant to small business today. For years at SBA we've said that the numbers game was not meaningful. Now we have the opportunity to translate our activity into increased employment, a greater tax base, community revitalization, and the myriad things that the idea of business development evoke.

VETERANS AT WORK

At the Philadelphia Business Development Implementation Session, Marshall Parker referred to the debt we owe to the veterans organizations that lobbied for the continued life of the SBA. Administrator Jim Sanders repeatedly expresses the deep significance this program has in his agenda. The best thanks that we can extend to them is to try harder to understand what SBA's veterans program is all about and to take the time to explain to veterans what we can and what we cannot do. Too often the explanation involves a misstatement of fact such as "SBA doesn't have any direct money," or "there is no veterans program at SBA!"

WHAT IS SBA'S VETERANS PROGRAM?

Sometimes we forget that potential small business owners need advice as much as or more than they need loans. It seems inconsistent to equate special consideration to veterans with loan-making and criticize the veterans program because we can't make loans to every veteran who walks in the door. Our experience demonstrates that a bad loan hurts the individual more than the adverse impact it has on the program. Our veterans don't need or deserve any more hurt. Some SBA staff, who decry Central Office interference in local program implementation, are copping out on the veterans program, excusing inaction by claiming that they need specifics from the Office of Veterans Affairs (OVA). Read the OVA blueprints. They are geared to have the local office identify and address specific local problems. The OVA will continue to respond to your needs and pilot new ideas. The effectiveness of your program is proportionate to your involvement with the local veteran business community.

This is what the veterans program is:

- o VAO network of professionals
- o National SBA Advisory Committee
- o Special training programs for veterans
- o Liaison between groups and government
- o Priority processing
- o \$20.0 million direct loan program
- o Permanent Central Office with Management Board status
- o Advocacy
- o Studies and statistics
- o Publications

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VETERAN ADVOCATE OF THE YEAR

By now you should have received the Advocacy brochure on the 1985 Advocate Program. Nominations are due in the District Offices by November 15, 1985. Please publicize this award to your local veteran groups.

ANOTHER OVA STUDY: WHO CHOOSES ENTREPRENEURSHIP?

Demographic characteristics including age, sex, race, veteran status, and urban residence are likely to play an important role in determining whether an individual chooses self employment and how much he or she earns, according to Entrepreneurial Choice and Success, a study for the OVA by David S. Evans of CERA Economic Consultants, Inc.

The researchers developed an estimated model of entrepreneurial choice and success using Bureau of the Census data. The study statistically analyzed the determinants of self-employment and wage earnings, and reported separate results for men and women and for veterans and non veterans. According to the evidence presented:

- o Both men and women who entered the military during or after the Vietnam War were less likely than veterans of other eras or non veterans to become self-employed.
- o Earnings of self-employed men did not change with a veteran or non veteran background. On the other hand, women veterans of all eras earned more at both self-employment and wage work than other women.
- o Blacks were less likely to choose self-employment than non blacks. But while blacks who chose wage employment earned less than comparable non blacks, blacks who chose self-employment earned about 20 percent more than otherwise comparable non blacks who chose self-employment.
- o Education has little effect on the propensity to choose self-employment, but has a strong influence on self-employment earnings. Further, the probability of self-employment increased with age for men but not for women.
- o Handicapped men and women earned about 50 percent less than otherwise comparable non handicapped individuals.

For further information on the report by CERA, call the OVA at (202) 653-8220 or the Office of Advocacy at (202) 634-7550.

- 3 -

VETERANS ADMINISTRATION

Congratulations to the Veterans Administration (VA) on its 55th birthday. When you subtract the 220,591 VA employees working in the Department of Medicine and Surgery, the VA has 13,877 employees in the Department of Veteran Benefits and 1,163 in the Department of Memorial Affairs. The remaining 6,288 employees provide support for the three major departments. 4,987 SBA employees are missing a tremendous opportunity if you are not utilizing the resources of the VA's Department of Veteran Benefits to get our message out to the nation's 28 million veterans.

VETERAN DIRECT LOAN FUNDING FOR FY '86

There are no changes in the Vietnam-era and disabled veterans loan program for the new fiscal year. Funds are available and loan applications will be handled as in the past. Please be sure that all field office personnel dealing with the public are aware of the availability of funds for applicants who meet SBA lending criteria. If you have any questions, please call Greg Diercks, Jim Parker, or Leon Bechet at (FTS) 653-8220.

FLORIDA FRANCHISING CONFERENCE

With the splendid cooperation of Region IV, SBA piloted a Business Opportunities and Franchising Conference in Orlando, Florida on September 20, 1985. The time and place were chosen to piggy-back on an IFA franchising show on September 21 and 22. It rained all day on the 20th, but 350 people braved the weather to attend. Our objective was to help the attendees make a reasoned judgment in deciding whether to go into franchising and how to intelligently evaluate a franchise. You will be hearing more about how we organized the conference. If you are interested in putting on a similar conference give us a call.

MAINSTREAMING

Please be precise in your references to "Mainstreaming" veterans. SBA has a statutory mandate (PL 93-237) to give special consideration to veterans in all its programs. Mainstreaming has the connotation that SBA has decided not to implement PL 93-237. An accurate reference to mainstreaming would be the upcoming Atlanta Franchising Conference (November 1, 1985) where veterans will be mainstreamed in the general conference, and we will provide breakout sessions dealing with specific veteran issues and problems.



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DATE: NOV 13 1985

TO: Regional Administrators
District Directors
Regional Veteran Affairs Officers

FROM: Associate Deputy Administrator
for Special Programs

SUBJECT: Oversight Hearing on SBA Veterans' Program

HEADLINE: "The Boston Herald", Wednesday, November 13, 1985
SBA SHORT-CHANGING VIET VETERANS, KERRY CHARGES

HEADLINE: "The Washington Post", Thursday, November 14, 1985
SBA URGED TO MIND VETERANS BUSINESS

Obviously, as a result of the Veteran Oversight Hearing held Wednesday, November 13, 1985, chaired by Senator Lowell Weicker and attended by Senators John Kerry, John D. Rockefeller, Alfonse D'Amato, Robert Kasten, Paul Trible, Slade Gorton, Dale Bumpers, and Tom Harkin a number of problems were called to our attention.

The primary problem being the age old problem of internal communication. The results of survey of 89 SBA District and Regional offices conducted by Senator Kerry's Boston office showed that, "while many SBA offices know of the agency's mandate to assist Vietnam Veterans, more than 35 percent of the local offices did not know about the specialized programs." (Under separate cover, we will be submitting that part of Kerry's survey applicable to each Region for your information.)

This, of course, is a totally unacceptable figure and we must take steps to assure that each and every SBA employee has an understanding of the mandate of "special consideration" for veterans, surviving spouses, children, and dependent parents of veterans.

For your reference, I have attached a copy of my statement before the Senate Committee on Small Business, Senator Kerry's statement, the articles appearing in the "Boston Herald" and the "Washington Post," and the Administrator's memo to the field last June. These should provide you with sufficient information to brief your staffs and to take necessary actions to correct the problem.

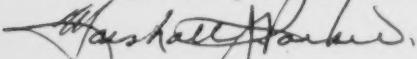
It should be noted that each Senator in his remarks before the Committee was very complimentary of the great strides

made by this Agency since 1981 in meeting the needs of the Veteran's community. Their major concerns centered around a perceived "backsliding."

The Small Business Administration has expended a lot of time and energy working with the Veteran's community and Veterans' Organizations. As a result, we have developed an excellent rapport and have been given high marks on our performance. We must see that this continues.

As I stated in both my opening and closing remarks to the Committee, "SBA's commitment to Veterans' is unwavering." Serving the Veteran is and will continue to be a high priority of this Administration.

Thank you for your continued support.



Marshall J. Parker

5. What percentage of direct loans made were below \$100,000?
Below \$50,000? Below \$20,000?

Of the total direct loans made to veterans during FY 1983, FY 1984, and FY 1985, 69% were below \$100,000 27% were below \$50,000, and 4% were below \$20,000.

6. Is there an Agency policy not to loan money to certain types of businesses because SBA considers them to[o] risky?

The Small Business Act requires that "all loans ... shall be of such sound value or so secured as reasonably to assure repayment." 13 CFC Part 120 specifies the instances in which SBA cannot make a loan. The appropriate text is attached.

(1) No financial assistance shall be extended unless there exists reasonable assurance that the loan can and will be repaid pursuant to its terms. Reasonable assurance of repayment will exist only where the past earnings record and future prospects indicate ability to repay the loan and other obligations. It will be deemed not to exist when the proposed loan is to accomplish an expansion which is unwarranted in the light of the applicant's past experience and management ability, or when the effect of making the loan is to subsidize inferior management.

(2) Where the purpose of the loan application is to effect a change in the ownership of the applicant small business concern, the loan may usually be approved where there is a reasonable justification for the change in ownership on the ground that the change will promote the sound development or preserve the existence of a small business concern; or will contribute to a well-balanced national economy by facilitating ownership of small business concerns by persons whose participation in the free enterprise system has been prevented or hampered because of economic, physical, or social disadvantages, or because of disadvantages in the business or residential locations.

(3) Where the purpose of the financial assistance is to finance the construction, acquisition, conversion, or operation of recreational or amusement enterprises, any such enterprise must be open to the general public, it must be properly licensed by appropriate State or local authority, and the character and reputation of the applicant will be given special consideration.

(4) *Loans to agricultural enterprises.* Loans to small businesses engaged in farming and related businesses will be made by SBA in accordance with the Memorandum of Understanding entered into between SBA and the United States Department of Agriculture, Farmers Home Administration (FmHA) which is incorporated herein as Appendix "A" to Part 120.

(5) *Loans to applicants owned or controlled by Indian tribes.* The eligibility of small business concerns under section 7(a) of the Small Business Act shall not be adversely affected because any such concern is owned or controlled by an Indian tribe as defined in 25 U.S.C. 450b(b).

(d) Financial assistance will not be granted by SBA:

(i) If the direct or indirect purpose or result of granting such assistance would be to—

(I) Pay off a creditor or creditors of the applicant who are inadequately secured and are in position to sustain a loss.

(II) Provide funds, directly or indirectly, for payment distribution, or as a loan to owners, partners, or shareholders of the applicant which do not change ownership interests in applicant. This shall not apply to ordinary compensation for services rendered.

(III) Refund a debt owed to a Small Business Investment Company.

(IV) Replenish funds theretofore used for such purposes.

(2) If the financial assistance will provide or free funds for speculation in any kind of property, real or personal, tangible or intangible;

(3) If the applicant is an eleemosynary institution or other nonprofit enterprise: *Provided, however,* That this provision shall not be construed to bar financial assistance to a cooperative, including a farm cooperative, which meets the qualifications and requirements under § 122.9, of this chapter. Consumer cooperatives are not eligible. An otherwise eligible small business concern will not become ineligible because it is owned in whole or in part by a nonprofit organization.

(4) If the applicant is engaged in the creation, origination, expression, dissemination, propagation, or distribution of ideas, values, thoughts, opinions or similar intellectual property, regardless of medium, form, or content. Financial assistance to such applicants is barred in order to avoid Government interference, or the appearance thereof, with the constitutionally protected freedoms of speech and press: *Provided, however,* That nothing herein shall preclude financial assistance to any otherwise eligible applicant engaged in one or more of the following activities:

(i) *Printing:* A firm solely engaged in commercial or job printing, if there is no common ownership with any concern ineligible under this paragraph (d)(4) of this section and the printer has no direct financial interest in the commercial success of the material so produced.

(ii) Publishing, etc.: Publishers of shoppers' newspapers or circulars consisting of advertising material only, without editorial, narrative or filler material. All other publishers, including so-called "vanity" publishers, as well as producers, importers, exporters or distributors of communications, including newspapers, magazines, books, greeting cards, sheet music, pictures, posters, film, tape, live broadcasts, recordings or reproductions of sight, sound or musical programs or products, or theatrical productions, are ineligible. For an exception to the foregoing rule, see paragraph (d)(4)(v) of this section.

(iii) Advertising and technical material: Firms producing advertisements and promotional material for a client's goods or services, or of technical or instructional material relating to such goods or services.

(iv) Reproduction: Firms providing motion picture, videotape, sound recording or theatrical technical production facilities, or the technical reproduction of motion picture, videotape or sound recordings without editorial or artistic participation therein, without a direct interest in the commercial success of material so produced, and without common ownership between the concern providing such services and the concern interested in such success.

(v) *Broadcasting and cable TV:*

Operators of commercial broadcasting (radio and television) stations and cable TV systems under the regulatory jurisdiction of the Federal Communications Commission (FCC) or a cable TV franchise granted in conformity with FCC standards, are eligible to receive SBA financial assistance. Applications for SBA financial assistance may be filed by concerns that have not received the necessary official approvals to acquire, construct, or operate broadcasting stations or cable TV systems, but no financial assistance may be disbursed by SBA or by any participating lender until all necessary official approvals have been obtained. In determining whether financial assistance will be extended to any applicant, no consideration will be given to the applicant's present or proposed program schedule, or to the content of any particular program; but SBA reserves the right to exercise all the rights and remedies afforded a creditor under the laws of the United States and of any jurisdiction in which a debtor may operate. While SBA believes that the extension of financial

assistance to enterprises described in this paragraph will be particularly helpful to enterprises owned by socially or economically disadvantaged members of minority groups, the availability of financial assistance from SBA is not limited to enterprises owned by such persons.

(vi) Education: Vocational, technical and other nonacademic schools which do not also teach academic subjects; and nursery and pregrade schools if they are not primarily engaged in teaching academic subjects.

(vii) Distributors of books, etc. General merchandise stores also selling books, newspapers, magazines, records, etc., and general book or music (record) stores. Specialty stores primarily selling products that promote or advocate ideas, including ideological, political or philosophical viewpoints, and specialized delivery, distribution or transportation concerns limited to the distribution of ineligible material (such as books, newspapers, etc.), are ineligible.

(5) If any part of the annual gross income (including rental income) of the applicant (or of any of its principal owners) is derived from gambling activities, except in those cases where an otherwise eligible small business concern obtains less than one-third of its annual gross income (either at loan inception or during loan term) from (i) its income or commission from the sale of official State lottery tickets under a State license, or (ii) From gaming activities in those States where such activities are legal within the State.

(6) If the financial assistance is to provide funds to an enterprise primarily engaged in the business of lending or investments or to any otherwise eligible enterprise for the purpose of financing investments not related or essential to the enterprise:

(7) As a general rule, if the purpose of the financial assistance is to finance the acquisition, construction, improvement, or operation of real property which is, or is to be, held primarily for sale or investment and is not to be used in connection with the applicant's otherwise eligible business: *Provided, however,* That financial assistance may be provided for residential or commercial construction or rehabilitation for sale to applicants which comply with all the following conditions:

(i) Any such financial assistance must be repayable within 36 months (plus the period of construction or rehabilitation);

(ii) An eligible applicant must be a construction contractor, contractor or homebuilder who has demonstrated managerial and technical ability in constructing or renovating projects of comparable size.

(iii) The financial assistance must be used to finance the construction or rehabilitation of residential or commercial real property, or the acquisition and prompt and significant rehabilitation (costing more than one-third of the purchase price) of residential or commercial real property, for sale on completion for the applicant's account. Not more than twenty percent (20%) of any financial assistance is to be used for the purchase of unimproved (vacant) land. No part of such financing may be used to purchase, or free other funds to purchase, building sites or other vacant land, or to operate or hold residential or commercial rental property for the account of the applicant or an affiliate for investment or speculative purposes, except that applicant may, with the written permission of the SBA, rent the constructed or rehabilitated property pending sale.

(iv) Applicant must submit, to the participating lender or SBA (or the lender may provide the required information to SBA), letters from (a) a mortgage lender, (b) an independent licensed real estate broker, and (c) an independent architect, appraiser or engineer. The mortgage lender shall advise whether permanent mortgage money is usually available to qualified borrowers to purchase real property in the project area for property similar to or comparable with the property to be constructed or rehabilitated by the applicant. The broker shall advise whether a sales market exists for the type of building to be constructed or rehabilitated by the applicant and whether the proposed construction or renovation would be compatible with the other buildings in terms of monetary and architectural values; the broker must truthfully state that he has at least three (3) years experience in real estate sales for similar property in the project area. The architect, appraiser or engineer shall agree to make all construction inspections and certifications necessary to support interim construction disbursements. The cost of such inspections may be paid by applicant from its own funds or may be added to the loan amount.

(v) The financial assistance must be secured with not less than a second lien on the land and improvements to be acquired, constructed or rehabilitated: *Provided*, That all liens must permit the release of individual parcels of property upon payment of a predetermined amount of money and provide for

transfer of clear title to the buyer; *And provided further*, That the total amount of all liens cannot exceed eighty percent (80%) of the fair market value of the completed project.

(vi) Proceeds of any such financing may not be used as a construction loan to be repaid from permanent financing with the applicant or an affiliate retaining title.

(vii) The terms "construction" and "rehabilitation" are intended to include only on-site repair, alteration, conversion, extension, renovation, rehabilitation, new construction, or other improvement of residential or commercial buildings; and on-site underground connections to water, sewer, or gas mains, underground or above ground connections for electric or telephone service, septic tank construction, and landscaping of the property: *Provided*, That not more than five percent (5%) of the SBA financing may be used for streets, curbs, open spaces, or construction of public water and sewer mains, or of waste disposal facilities, or cost of community improvements that benefit more than the structure(s) constructed or rehabilitated with SBA financial assistance.

(AMDT. 22, 44 FR 21622, APRIL 11, 1979)

(8) If the effect of the granting of the financial assistance will be to encourage monopoly or will be inconsistent with the accepted standards of the American System of free competitive enterprise;

(9) If an applicant is engaged in an illegal activity or is engaged in the production, servicing, or distribution by sale or otherwise of products or services used in connection with an illegal activity. This includes, but is not limited to, the production, servicing, distribution of paraphernalia, products or services that are used or intended to be used primarily or exclusively in connection with the unlawful use of drugs or controlled substances.

(Amdt. 28, 47 FR 8990, Mar. 3, 1982)

(10) If the applicant (whether proprietorship, partnership or corporation) owns and leases real or personal property to an otherwise eligible small business concern and the loan proceeds are to be used to directly benefit the applicant (e.g. purchase real or personal property to be leased to the eligible small business concern or refinance debts previously incurred for such purpose), notwithstanding that benefits will also flow to the small business concern, unless all of the following conditions are met to qualify the applicant as an "alter ego" of the otherwise eligible small business concern:

Amdt. 28, March 3, 1982

(i) The alter ego concern is a business entity that is organized and operated for profit, whether operating as an individual, proprietorship, partnership, or corporation.

(ii) The small business concern is an eligible small business and the proposed use of proceeds would be eligible for such assistance if the small business concern were the owner of the property that is owned or to be owned by the applicant.

(iii) The proceeds of the loan to be used to benefit directly such applicant will be used only to acquire or improve real or personal property for the exclusive use of such small business concern (including eligible refinancing):

(iv) The ownership interest(s) in the applicant shall be completely identical with and in the same proportion as the ownership interest(s) in such small business concern, and this identity of interests shall remain unchanged until the loan is repaid in full or SBA sooner gives approval to a change.

(v) Collateral includes an assignment of the lease between the applicant and the small business concern and a lien on the property itself and the lease shall be for a term of not less than the term of the loan.

(vi) The small business concern must be either a guarantor or co-borrower, and the owners of the small business concern and of the applicant must also guarantee the loan.

(11) If a proprietor, partner, officer, or director of the applicant is currently incarcerated, on parole or probation following conviction of a serious offense, or when probation or parole is lifted solely because it is an impediment to obtaining a loan.

(12) Generally, if the financial assistance to be provided is for use in multilevel sales distribution plans.

(Rev. 6, 38 FR 19021, July 17, 1973, as amended by Amdt. 1, 38 FR 34459, Dec. 14, 1973; Amdt. 2, 40 FR 1682, Jan. 9, 1975; Amdt. 6, 41 FR 26203, June 25, 1976; Amdt. 10, 41 FR 44856, Oct. 13, 1976; Amdt. 11, 41 FR 47453, Oct. 29, 1976; 41 FR 55508, Dec. 21, 1976; Amdt. 14, 42 FR 40900, Aug. 12, 1977; Amdt. 15, Jan. 27, 1978; 43 FR 3701, Amdt. 17, July 6, 1978; 43 FR 29101; Amdt. 18, July 7, 1978; 43 FR 29271.)

(Amdt. 23, 44 FR 48653, Aug. 20, 1979)

§ 120.3 Terms and conditions of business loans and guarantees.

(a) *Maturities.* The maturity of business loans made under the Small Business Act shall be restricted to the minimum consistent with sound business practice. The maturity may not exceed 10 years, except that such portion of a loan made for the purpose of acquiring real property or constructing facilities may have a maturity not in excess of 20 years plus such additional period as may be required to complete such construction.

(b) *Fees and interest rates.* (1) *Guaranty fees.*—In guaranteed loans (those made by a financial institution with which SBA has entered into an agreement to guarantee as set forth in Part 122 of this Chapter) a guaranty fee shall be payable by the financial institution to SBA for such agreement. Receipt or acceptance of the guaranty fee by SBA shall not waive any right of SBA arising from lender's negligence, misconduct, or violation of any provision of these regulations or of the guaranty agreement.

(Amdt. 24, 44 FR 70455, Dec. 7, 1979)

(i) For guaranties approved prior to January 1, 1973, the guaranty fee is one-fourth of 1 percent per annum of the portion of the loan which SBA has guaranteed.

(ii) For guaranties approved between January 1, 1973, and October 1, 1978, the guaranty fee is set on a one-time basis of 1 percent of the authorized and guaranteed portion of the loan, and is payable at first disbursement by the lender. For loans made with a maturity up to 13 months, the guaranty fee is one-quarter of 1 percent of the guaranteed portion payable by the lender at the time of SBA's approval of the loan. Longer maturities or extensions are to be prorated on the basis of one-quarter of 1 percent per annum, payable to SBA at the time of SBA's approval. *Provided, however,* That no additional guaranty fee is payable when an extension is for the sole purpose of effecting collection of the then outstanding principal balance and where there are not further loan advances.

(iii) For guaranties of loans with a maturity in excess of one year approved on and after October 1, 1978, the onetime guaranty fee shall be one (1%) percent of the authorized and guaranteed portion of the loan, and shall be payable by the lender within 90 calendar days of the date of the SBA's approval as stated in the loan authorization. If the guaranty fee is not paid by the lender within this time period, SBA will send the lender a

Amdt. 28, March 3, 1982

7. How many disabled veterans received direct loans in FY 1985?

SBA only maintains records on disabled veterans receiving handicapped assistance loans and loans under the Vietnam-era and disabled veterans loans program. In those programs disabled veterans received 46 loans totalling \$2.9 million during FY 1985.

GUARANTEED LOANS

1. What type of lending priority, if any, do veterans receive when applying for a guaranteed loan? Do the participating banks give "special consideration" to loan applications?

The Small Business Act provides that applicants for SBA financial assistance demonstrate that the funds "are not otherwise available on reasonable terms." This requires that prior to submitting an application to SBA, each applicant, including veterans, apply to one or more banks for a loan. In some cases, the bank may make a loan to the applicant, in which case SBA may know nothing about the application. In those cases in which the bank applies to the SBA for a guaranty, the bank's application to SBA in most cases is SBA's first knowledge of the application. Thus, as a general statement, SBA has no way of knowing whether banks give "special consideration" to veterans. We have asked that our financing officers, who routinely visit participating banks, discuss with them the SBA veterans program, and encourage them to adopt some priority policy in their veteran contacts. Our policy would be to accord a veteran's guaranty loan package with the priority we would accord a veteran's direct loan package, i.e., priority over non-veteran guaranty loan packages from the date of receipt.

REGULATIONS/OPERATING PROCEDURES

1. An updated set of proposed regulations were drafted by SBA in 1983, which detail veterans programs and activities at the Agency. Why haven't these regulations been published for public comment and adopted? Why is the Agency still operating under the 1976 regulations contained in 13 CFR part 116?

The Agency is operating under the 1976 regulations contained in 13 CFR part 116 because no other regulations have yet been adapted. While the Agency has and will consider a number of possible revisions to its rules and regulations, it is our current policy to issue only those regulations which are necessary for program implementation. We do not feel that the referenced proposed regulations should be adapted as a package. We have not closed the door on further discussion of possible revisions of our regulations relating to the veterans program, and are discussing possible meaningful revisions through the Advisory Committee on Veterans Business Affairs, which provides a public forum for discussion.

2. Your 1982 policy statement on "Special Consideration" states that "Associate and Assistant Administrators shall review their programs and activities and issue any required regulations or SOPs within 60 days from this date." Were these reviews conducted? Please provide any revised regulations or SOPs adopted by SBA.

The Associate and Assistant Administrators participated, personally or through representatives, as members of the task force. They were involved in the discussions and did review their programs in light of the May 14, 1982 policy statement. It was not necessary that the review be a formal written review. Most of the program areas needed only to commit to support the Office of Veterans Affairs, such as Procurement Assistance. Others took an active role in promoting veteran training, such as Management Assistance, which modified its training and counseling forms to identify veteran participants, and assisted in OVA's FY 1984 training of veterans. Finance and Investment needed modifications to its SOP to define the Agency's role in assisting veterans. Those SOP provisions are attached.

S.O.P. CONTINUATION SHEET	S.O.P.		REV
	SECTION	NO.	
	50	10	2
2 (1) Resident alien status must be determined to assure that the principal can remain in this country to conduct the business of the borrower, or the collateral must be of a type and quality that can clearly repay the loan balance upon liquidation any time during the term of the loan. The holding of an alien registration number, by itself, does not assure resident alien status. It merely indicates that the holder is in the United States legally. The alien registration receipt card (Form I 151 or I 551) should be inspected to confirm resident alien status. In the absence of this documentation, the nearest Immigration and Naturalization Service office should be contacted to verify the applicant's status. (2) The loan proceeds must not finance an activity for which alien ownership is prohibited by law. (See Appendix 3, "Restrictions on Foreign Controlled Enterprises" for a listing of prohibited businesses.) (3) The loan proceeds must finance an eligible United States business activity that is consistent with subpart g. of this paragraph. 1. <u>Special Consideration to Veterans</u> SBA is required by law to give special consideration to veterans of the armed forces and their survivors or dependents in the administration of SBA loan programs. 13 CFR Part 116 addresses this topic and defines "veterans", "armed forces", "survivor", and "dependent" in detail. The special consideration criteria relating to financial assistance programs are as follows: (1) In depth management assistance counseling on first interview. (2) Prompt processing of loan application of any type. (3) In each district office there shall be one or more loan officers designated as veterans loan officers, as a collateral duty.			
		EFFECTIVE DATE	PAGE
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S.O.P. CONTINUATION SHEET	S.O.P.		REV
	SECTION	NO.	
	50	10	2
(4) Applications of veterans for business loans will be processed and funded ahead of other loan applications received on the same day (does not apply to the Handicapped Assistance Loan Program). 2 j. <u>Franchisees</u> A franchisee is eligible if the franchisee has the right to profit from his/her efforts commensurate with ownership and is eligible in all other respects. Franchisees are ineligible only in the exceptional cases where the franchise agreement cloaks a contract of employment under the guise of a franchise operation. Franchise agreements that impose such restraints as quality control, source of raw material, type of accounting records, display of merchandise, are not to be considered as "the power to control" as long as the franchisee retains the right to profit from efforts commensurate with ownership. The franchisor must supply the franchisee with an FTC required disclosure report on its franchise operations. This report contains information that could be useful in the evaluation of the loan request and a copy shall be obtained and included in the case file. The franchisor and the franchise agreement must be evaluated to determine their effect on repayment ability. A credit report should be obtained on the franchisor whenever its financial responsibility and reputation are unknown. Where royalty or similar payments (periodic payments often based on a percentage of sales) must be made by the borrower to the franchisor, a condition will be included in the authorization that prohibits such payment as long as the SBA loan is in default and such conditions must be accepted by the franchisor. This requirement applies to all franchise loan approvals except where specifically waived in the case file. A waiver may be granted only where both of the following are in evidence: (1) The franchisor refuses to accept the condition. (2) The collateral securing the loan is of a type and quality that can clearly repay the loan balance upon liquidation anytime during the term of the loan.			
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S.O.P. CONTINUATION SHEET	S.O.P.		REV
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Debt payment proceeds are eligible where the debt being refinanced was incurred for purposes that are eligible under subparagraph b above. Proceeds for research and development may not exceed 30 percent of the total loan amount and may be permitted ~~only where a business plan indicates strong prospects of~~ repayment, or where the further development of a product or service already being marketed is involved.			
d. <u>Loan Identification</u> Applications shall be filed on SBA Forms 4 and 4-I, "Application for Loan." The prefix "SBE" shall be used and the regular loan number sequence shall be followed.			
39 <u>DIRECT LOANS TO VIETNAM ERA AND DISABLED VETERANS</u>			
a. <u>Program Purpose</u> This program provides financial assistance to Vietnam-era and disabled veterans on a direct basis. Private sector financing and guaranty loans under the regular Business Loan program must be used if available before a direct loan can be considered. All provisions of the regular Business loan program apply except as specifically provided herein.			
b. <u>Eligibility</u> The small business concern must be owned (a minimum of 51%) by an eligible veteran(s). Management and daily operation of the business must be directed by one or more of the veteran owners of the applicant whose veteran status was used to qualify for the loan. Eligible veterans include the following:			
(i) Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964, and May 7, 1975, and were discharged other than dishonorably. (ii) Disabled veterans of any era with a minimum compensable disability of 30%, or a veteran of any era who was discharged for disability.			
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S.O.P. CONTINUATION SHEET	S.O.P.		REV
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The basis for the eligibility determination shall be outlined in the loan report and confirmed in the case file. Vietnam-era tenure will be confirmed by a copy of Form DD 214. To confirm disability, the applicant must secure a letter of disability percentage certification from the Veterans Administration, current within 30 days.			
c. <u>Single Loan Benefit</u> The veteran status of an individual may only be used one time to qualify for an SBA loan. After having received an SBA loan with eligibility based on veteran status, second or refunding loans can be considered only under the regular business loan program or based on the ownership by other eligible veterans (51% minimum ownership by persons of unused eligibility). Individuals who formerly received EOLs based on veteran status have used their loan benefit and may not be considered for the veterans loan program.			
40. <u>LOANS TO QUALIFIED EMPLOYEE TRUSTS</u>			
a. <u>Program Purpose</u> This program is authorized by Section 7(a)(15) of the Small Business Act to provide financial assistance to eligible employee trusts. Loans under this program are to be processed under the guaranty plan only. The objective is to provide financial assistance to eligible employee trusts to be used for either of two purposes: (1) to relend to their employer concern (growth and development loan) (2) to purchase ownership in their employer concern (change of ownership loan)			
b. <u>Use of Proceeds</u> (1) <u>Growth and Development Loans</u> The trust may relend loan proceeds to the employer by purchasing qualifying employer securities but not necessarily voting stock. These qualifying employer securities can take the form of bonds, debentures, or other types of voting or non-voting securities.			
		EFFECTIVE DATE	PAGE
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TASK FORCE ON SPECIAL CONSIDERATION

1. Did the 1982 task force on Special Consideration for veterans chaired by SSA's Chief Counsel for Advocacy, issue a report containing recommendations?
 - a. What were the specific recommendations of the task force?
 - b. What was the Agency's response to each of these policy suggestions?

Yes. The requested information is attached.

ACTION
BY THE SMALL BUSINESS ADMINISTRATION
IN RESPONSE
TO THE
RECOMMENDATIONS OF THE
TASK FORCE ON SPECIAL CONSIDERATION
FOR VETERANS

Policy Statement

Task Force Recommendation -

28. The Administrator of SBA and the Administrator of VA should issue separate "Policy Statements" to their employees, regarding assistance to veteran business.

What SBA is Doing -

Administrator Sanders issued Statement on May 14, 1982.

Proposal -

Full implementation with all deliberate speed utilizing available budget funds.

Veterans Affairs OfficeTask Force Recommendation -

17. Establish a permanent Office of Veterans-in-Business within the Office of the Chief Counsel for Advocacy.
18. Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations.
23. Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional office responsible for assuring that veterans receive "special consideration" in all regional and district level programs.
24. Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.

What SBA is Doing -

The Administrator established an Office of Veterans Affairs under the Associate Deputy Administrator for Special Programs and established a Twelve-month Task Force. The Office of Veterans Affairs is headed by a Director, who is responsible to the Associate Deputy Administrator. All programs areas are represented on the Task Force. Administering the program in the Field Offices are the District Directors, each of whom has appointed a Veterans Affairs Officer. There is a Regional Veterans Affairs Officer assisting the Regional Administrator in each of the ten regions.

The Office of Veterans Affairs employs the only full-time Veterans Affairs Officers. Currently only four of five full-time slots are filled.

The current operating costs of this Office are \$170,000.

Proposal -

- A. Fill vacancy on Veterans Affairs staff.
- B. Continue to work with the Task Force and monitor field office performance.
- C. Review and develop appropriate programs and incentives for veterans business ownership.
- D. Include in budget the total administrative expenses of maintaining the Office of Veterans Affairs

Total cost - \$290,000

Training Conferences

Task Force Recommendations -

6. Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.
7. Management Assistance Division will implement a demonstration project in no less than four different geographic locations of "Special Business Management Training for Veterans."
8. No less five state SBDC's (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.
16. The Management Assistance Workshops include a segment on "How to do Business with Government."

What SBA is Doing -

SBA targeted five cities for the Management Assistance Division demonstration project of Special Business Management Training for Veterans. They are San Francisco, Dallas, Denver, Columbus and New York.

The San Francisco Conference was held on December 11-12, 1982. In connection therewith, three objectives were emphasized:

1. The creation of local Veteran Business Resource Councils. Composed of veterans, federal and state officials and others, each council would provide a network of business resources for veterans and involve local veteran groups in defining needs and problem solving.
2. Provide business training specifically focused on the needs of the veteran entrepreneur. Special emphasis is to be placed on prerequisites to obtaining a loan, doing business with the Government and special areas of local interest, as identified.
3. Awareness of special needs of veterans by SBA program personnel to form the basis for increased community outreach and to enable SBA to communicate these needs to local lenders and banks.

The pilot SBDC Project is underway in Minneapolis, Minnesota. The training session is scheduled for February 19-20, 1983 and based on developments, similar targets will be formulated. This project differs from the training project since each SBDC's functions are defined by contract.

Funding for these conferences has consisted of three contracts of, roughly \$20,000, with no provision for funding the remaining conferences.

Proposals -

- A. Fund the remaining pilots at \$10,000 for each program at a cost of \$50,000.
- B. Schedule 30 additional conferences over the next 18 months, providing identical funding at a cost of \$300,000.

These funds would defray the cost of organizing the conferences as well as special printing, facilities and equipment rental.

- C. Provide funding for Veterans Business Resource Councils at \$300,000.

Total cost - \$650,000.

Veterans Affairs Officers Training

Task Force Recommendation -

5. All current and newly appointed field Veterans Affairs Officers (VAOs) should receive extensive training to inform and orientate them on the Agency's organization, mission and commitment to "special consideration" for veterans.
14. Designated Veterans Affairs Officers (VAOs) receive training on SBA Procurement and Technology Assistance programs and that, on an on-going basis, they receive pertinent updated information regarding Procurement and Technology Assistance.

What SBA is Doing -

Currently the Office of Veterans Affairs maintains contact with the Veterans Affairs Officers in the field by forwarding memoranda explanatory of the program and thru periodic telephone contact as needed.

Proposals -

The Office of Veterans Affairs will schedule two-day seminars for the Districts Directors and the Veterans Affairs Officers to review the statutory and policy background for special consideration for veterans, to introduce the loan program under 97-72, and to set targets for each district to perfect its veterans programs.

Total cost - \$100,000.

Upgrade Publications and Directives

Task Force Recommendations -

9. The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.
10. SBA develop a comprehensive veterans brochure especially containing information pertaining to procurement and technical assistance.
12. SBA should make available appropriate copy describing procurement programs that could readily be included in the publication of veterans organizations.

What SBA is Doing -

SBA issued its Veteran's Handbook based on the provisions of P. L. 93-237, pointing out the availability of all SBA's Programs to Veterans and "special consideration."

Subsequent appropriation of funds for SBA to implement a Vietnam and Handicapped Veteran loan program, originally assigned by the Congress to the Veterans Administration, requires a comprehensive update of the Handbook.

The Task Force has also recommended the publication of a manual for the use of SBA's Veteran Affairs Officers. Work on this manual is presently include under contract with the Vietnam Veterans Foundation on the Minnesota project.

It is anticipated that other outreach materials will be required and developed.

Proposal -

Full implementation of the above recommendations utilizing the funding provided by Congress for veteran outreach.

Total cost - Veterans Handbook	\$150,000
VAO Manual	\$ 75,000
Outreach Materials	\$125,000
	<u>\$350,000</u>

Internal Implementation

Task Force Recommendations -

1. Applications submitted by veterans should receive priority both in processing and funding ahead of applications received from non-veterans.
2. In its guaranteed loan program, the SBA will emphasize its policy of "special consideration" for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.
4. SBA should modify Part 116 of its Rules and Regulations consistent with the recommendations of this Task Force.
11. SBA develop a procedure for systematic notification of local veterans organizations to advise them of upcoming procurement conferences, seminars, and trade fairs.
15. Develop system using PASS for periodic mailings of the Technology Assistance Reader Service cards to selected veteran-owned firms.
21. Assure that in SBA regulations, SOP's and policy directives, veterans are placed ahead of all other applicants when establishing priorities for assistance of any type.
22. Include in all SBA Agency operating plans, Regional Operating Plans, goals and objectives appropriate recognition and goals for Veterans-in-Business; and include veterans-in-business in the annual Congressional reports of SBA and Chief Counsel for Advocacy.

What SBA is Doing -

The SBA has incorporated a change in its loan processing standard operating procedure which provides for priority for veterans both in processing and funding ahead of non-veterans. This SOP must be cleared before it becomes effective. The policy has been discussed with field office personnel.

SBA has taken no specific action on a Bank Outreach Program. The creation of the Veteran Business Ownership Councils in connection with SBA's pilot conferences is the first step in the creation of a network to accomplish this goal. The availability of direct loan funds has centered the attention of SBA and the task force on internal procedures rather than bank outreach at this time.

The task force's recommendations on the modification of Part 116 of the SBA rules and regulations has, by mutual agreement, been held in abeyance.

pending our experience from the pilot programs to enable SBA and the task force to re-examine the content of the originally proposed regulations.

The Office of Veterans Affairs has assumed the duties of advising the National Veteran Service Organizations of scheduled activities of local interest and a joint effort is being made to notify the local offices of activities.

SBA through the Office of Veterans Affairs and the task force are working to provide for veteran priority and appropriate goals to assure compliance with the congressional mandate of special consideration for veterans.

Proposal -

SBA and the task force will continue to monitor these activities and cooperate in providing for full implementation. Expenditures to accomplish any of the outreach under this activity will be included in the activities: publications and material; resource councils; and, studies and data collection, as appropriate.

The Pechin Report

Task Force Recommendation -

19. Direct the Agency to initiate systematic measures to implement recommendations contained in the "Pechin Report" consistent with the programs and policies of the Administration.

What SBA is Doing -

In addition to the Administrator's May 14, 1982 Policy Statement, the Office of Veterans Affairs along with the Task Force on special consideration are working jointly to explore practical ways to implement the recommendations of the "Pechin Report."

Proposal -

That the joint effort toward practical implementation continue. No specific funding is required.

Action with the Veterans AdministrationTask Force Recommendation -

26. Initiate action with the Veterans Administration to secure their appointment of a Veterans-in-Business coordinator in each regional city to work with SBA Advocate and other agencies.

What is Being Done -

The Veterans Administration has named representatives to serve as Veterans-in-Business coordinators in each regional city. The SBA has advised its field staff.

Proposal -

Continue to involve the VA Veterans-in-Business coordinators in planning and participation in Veteran Business Resource Councils and SBA field office activity. No cost is anticipated.

PACKAGING ASSISTANCETask Force Recommendation

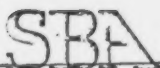
3. The SBA should explore the possibility of providing packaging assistance to veterans.

What SBA is Doing -

At this time the SBA does not provide packaging assistance for its clients. The Minority Business Development Agency of the Department of Commerce allocates funds for minority packaging assistance. The Office of Veterans Affairs and the Task Force has examined this problem and are exploring the provision of these services by possible contract with or grant to Veterans Business Resource Councils. These are adequate funds projected for the councils to include loan packaging pilots. An alternative approach would be through utilization of the Vietnam Veterans Leadership Program administered by ACTION.

Proposal -

Further study by SBA and the Task Force.



U.S. Small Business Administration
Washington, DC 20416

Memorandum

Date: 3/11/83
From: AA/F&I
Subject: Availability of Loan Funds

To: All Regional Administrators
District Directors
Branch Managers

In our memorandum of December 22, 1982 we stated that you would be advised promptly in the event of any change in direct funding availability.

On Thursday, March 10, the House of Representatives passed a resolution to reject the proposed deferral of funds authorized for SBA direct and guaranty loans in P.L. 97-377. The effect of this action is to make funding available for the fiscal year in the following programs and amounts:

(Dollars in Millions)

	<u>Direct & I.P.</u>	<u>Guaranty</u>
General Business 7(a)	\$65.0	\$2,510.0
Handicapped	15.0	5.0
Economic Opportunity	45.0	60.0
Energy	5.0	15.0
• Veteran's (Vietnam-era & Disabled)	25.0	-0-
Development Company	-0-	250.0

In no event, are applications for direct loans to be refused solely upon unavailability of funds. If any field offices have been maintaining "union lists," those applicants listed are to be advised immediately that complete and qualified applications will be accepted for processing.

Fund allotments for general 7(a) and 7(a)(11) loans will be issued in the next few days to regional offices. Funds for EDC, Energy and the newly authorized Veteran's Loan Program, will be provided on a case by case basis upon request through the regional budget officer.

* Added clarification 3/15/83 at District Directors meeting.

FACT SHEET

U.S. SMALL BUSINESS ADMINISTRATION

BUSINESS LOANS FOR VIETNAM-ERA AND DISABLED VETERANS

The Program

To provide Vietnam-era and disabled veterans with special financial assistance under 7(a) criteria when credit is not available elsewhere. Such loans may be made to establish and/or assist in the operation and expansion of an existing business. Direct loans will be limited Administratively to \$150,000 (statutory limit is \$200,000). Guaranty loans are available to eligible applicants under the regular Business Loan Program. If a guaranty loan is available a direct cannot be considered.

Eligibility

Vietnam-era veterans who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably; Vietnam-era veterans discharged for service-connected disability; disabled veterans with compensable 30% or more disability; or, veterans with disability discharge. A business concern must meet SBA's eligibility criteria and be at least 51% owned by eligible veterans, who must direct the management and daily business operations. It is not intended that this program be used by eligible veterans to promote investment interests.

Interest

The interest rate will be the same as for SBA's 7(a) Business Loan Program.

Collateral

Loans must be of such sound value or so secured as reasonably to assure repayment. Available collateral and other guaranties will be required.

Applications for Loan

A small business concern may make application at the nearest SBA office. More detailed information may be obtained from the Veterans Affairs Officer at any SBA office.

Other veterans who do not qualify under this program are entitled to special consideration under the SBA 7(a) Business Loan Program.

Policy StatementTask Force recommendation-

28. The Administrator of SBA and the Administrator of VA should issue separate "Policy Statements" to their employees, regarding assistance to Veteran business.

What SBA is doing-

Administrator Sanders issued Statement on May 14, 1982.

Proposal-

Full implementation with all deliberate speed utilizing available budget funds.

Veterans Affairs OfficeTask Force recommendation-

17. Establish a permanent Office of Veterans-in-Business within the office of the Chief Counsel for Advocacy.
18. Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations.
23. Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional office responsible for assuring that veterans receive "special consideration" in all regional and district level programs.
24. Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.

What SBA is doing-

The Administrator established an office of Veterans Affairs under the Associate Deputy Administrator for Special Programs and established a Twelve-month Task Force. The Office of Veterans Affairs is headed by a Director, who is responsible to the Associate Deputy Administrator. All programs areas are represented on the Task Force. Administering the program in the Field Offices are the District Directors, each of whom has appointed a Veterans Affairs Officer. There is a Regional Veterans Affairs Officer assisting the Regional Administrator in each of the ten regions.

The Office of Veterans Affairs employs the only full-time Veterans Affairs Officers. Currently only four of five full-time slots are filled.

The current operating cost of this office are \$170,000.

Proposal-

- A. Fill vacancy on Veterans Affairs staff.
- B. Continue to work with the Task Force and monitor field office performance.
- C. Review and develop appropriate programs and incentives for veterans business ownership.
- D. Include in budget the total Administrative expenses of maintaining the Office of Veterans Affairs

Total cost- \$290,000

Training Conferences

Task Force Recommendations-

6. Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.
7. Management Assistance Division will implement a demonstration project in no less than four different geographic locations of "Special Business Management Training for Veterans."
8. No less five state SBDC's (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.
16. The Management Assistance Workshops include a segment on "How to do Business with Government."

What SBA is doing-

SBA targeted five cities for the Management Assistance Division demonstration project of Special Business Management Training for Veterans. They are San Francisco, Dallas, Denver, Columbus and New York.

The San Francisco Conference was held on December 11-12, 1982. In connection therewith, three objectives were emphasized:

1. The creation of local Veteran Business Resource Councils. Composed of veterans, federal and state officials and others, each council would provide a network of business resources for veterans and involve local veteran groups in defining needs and problem solving.
2. Provide business training specifically focused on the needs of the veteran entrepreneur. Special emphasis is to be placed on prerequisites to obtaining a loan, doing business with the Government and special areas of local interest, as identified.
3. Awareness of special needs of veterans by SBA program personnel to form the basis for increased community outreach and to enable SBA to communicate these needs to local lenders and banks.

The pilot SBDC Project is underway in Minneapolis, Minnesota. The training session is scheduled for February 19-20, 1983 and based on developments, Similar targets will be formulated. This project differs from the training project since each SBDC's functions are defined by contract.

Funding for these conferences has consisted of two contracts of, roughly \$20,000, with no provision for funding the remaining conferences.

Proposals-

- A. Fund the remaining pilots at \$10,000 for each program at a cost of \$50,000.
- B. Schedule 30 additional conferences over the next 18 months, providing identical funding at a cost of \$300,000.

These funds would defray the cost of organizing the conferences as well as special printing, facilities and equipment rental.

Total cost - \$350,000.

Veterans Affairs Officers Training

Task Force Recommendation-

- 5. All current and newly appointed field Veterans Affairs Officer (VAOs) should receive extensive training to inform and orientate them on the Agency's organization, mission and commitment to "special consideration" for veterans.
- 14. Designated Veterans Affairs Officers (VAOs) receive training on SBA Procurement and Technology Assistance programs and that, on an on-going basis, they receive pertinent updated information regarding Procurement and Technology Assistance.

What SBA is doing-

Currently the Office of Veterans Affairs maintains contact with the Veterans Affairs Officers in the field by forwarding memoranda explanatory of the program and thru periodic telephone contact as needed.

Proposals-

The Office of Veterans Affairs will schedule two-day seminars for the Districts Directors and the Veterans Affairs Officers to review the statutory and policy background for special consideration for veterans, to introduce the loan program under 97-72, and to set targets for each district to perfect its veterans programs.

Total cost - \$100,000.

Upgrade Publications and Directives

Task Force Recommendations-

9. The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.
10. SBA develop a comprehensive veterans brochure especially containing information pertaining to procurement and technical assistance.
12. SBA should make available appropriate copy describing procurement programs that could readily be included in the publication of veterans organizations.

What SBA is doing-

SBA issued its Veteran's Handbook based on the provisions of PUB. L. 93-237, pointing out the availability of all SBA's Programs to Veterans and "Special consideration."

Subsequent appropriation of funds for SBA to implement a Vietnam and Handicapped Veteran loan program, originally assigned by the Congress to the Veterans Administration, requires a comprehensive update of the Handbook.

The Task Force has also recommended the publication of a manual for the use of SBA's Veteran Affairs Officers. Work on this manual is presently include under contract with the Vietnam Veterans Foundation on the Minnesota project.

It is anticipated that other out reach materials will be required and developed.

Proposal-

Full implementation of the above recommendations utilizing the funding provided by Congress for veteran outreach.

Total cost - Veterans Handbook	\$150,000
VAO Manual	\$75,000
Outreach Materials	\$125,000
	<u>\$350,000</u>

2. Has the Committee issued any recommendations? If so, how has the Agency responded?

Yes, the Committee, on August 21, 1985, passed a number of resolutions. A copy is attached. While the resolutions are under advisement, OVA is still working closely with the various subcommittees to further define roles and objectives in many of the program areas that were covered. For example, we are targeting disabled veterans for a comprehensive training program and are working out details with the subcommittee. We intend to target veteran procurement training as a FY 1987 program target. VAO training is contracted for, will commence in January, 1986, and will include emphasis on handicapped training, "Businesses Development Specialist" orientation for VAO's, activity reporting and publicity/marketing. We feel that we have mandatory activities and recommended activities, but would like to further develop this idea with the Committee. There is substantial agreement between SBA and the Committee on many of the important recommendations made by the Committee.

RESOLUTIONS PASSED BY THE ADVISORY COMMITTEE
ON VETERANS BUSINESS AFFAIRS
AUGUST 21, 1985

The following resolutions were approved by the Advisory Committee:

From the Procurement Subcommittee:

1. SBA should educate veteran business owners on the procedures, regulations, and "in and outs" of government procurement.
2. SBA should solicit veterans groups to assist in this training.
3. A support system of successful small business owners should be organized by SBA to assist veteran owned firms who want to do business with the government.

From the Disabled Veterans Subcommittee:

1. The Office of Veterans Affairs (OVA) should conduct a field survey of: existing SBA handicapped training activities, handicapped accessibility to training sites, and field handicapped training capabilities.
2. OVA should print and distribute to interested organizations and individuals the SBA study Businesses That Can Be Owned and Operated by Handicapped Veterans.
3. OVA should review and distribute to District Offices and cosponsors information provided by disabled veterans groups on how to make training sites accessible to the handicapped.
4. OVA should survey the number, location, and availability of vocational rehabilitation centers around the country to determine their usefulness as training sites for all SBA sponsored handicapped veterans training programs.
5. OVA should promote the viability of handicapped owned businesses to bank and SBA loan officers.
6. Handicapped training should receive special emphasis during VAO training.

From the Finance Subcommittee:

1. The Administrator should, by December 31, 1985, issue proposed modifications of 13 CFR Part 116 of SBA regulations governing "special consideration" for veterans. It is further recommended that the Administrator rigorously monitor compliance with Part 116 by all SBA programs.

2. The Administrator should, through the Associate Administrator for F & I, and through the Office of Veterans Affairs, compile a profile of participation by veterans (by category of period of service; i.e., KV, WII, VEV and disabled) in all SBA lending programs. Further, it is recommended that this serve as a basis for a profile of each SBA District and Region, to be followed by an analysis of activity that led to such a profile in that area.
3. In its guaranteed loan program, the SBA should emphasize its policy of "special consideration" for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.
4. The Administrator should ensure that every reasonable effort be made by loan officers of SBA in every District Office to not deny loans to veterans strictly on the basis of equity and collateral requirements.
5. The Administrator should ensure that all F&I personnel at the National, Regional and District Office level are properly trained in existing policies of the SBA in regard to "special consideration" and attuned to the special needs and sensitivities of the veterans community.

From the Conference and Management Assistance Subcommittee:

1. All Veterans Affairs Officers should be trained as "Small Business Development Specialists" (SBDS). VAOs should be veterans, preferably Vietnam or disabled veterans. All District and Regional VAOs should receive specific training as VAOs at least once (preferably twice) per year.
2. The Regional VAO should be a full time committed position. This would necessitate the Administrator setting aside ten (10) FTEES for this purpose.
3. A major veterans component should be required to be written into all Small Business Development Center (SBDC) contracts, as such contracts come due for renewal in the future.
4. There should be clear guidelines and operational procedures set forth for the Veterans Business Resource Councils (VBRCs). It is further recommended that clear expectations be placed on the Regional Administrators, District Directors, and others in the SBA structure as to their responsibilities toward supporting the VAOs and to assisting veterans.

5. The SBA should prepare and use a clear operational plan for FY '85, at the National, Regional, and District level. Further, it is recommended that said plan(s) include realistic goals, measurable objectives, and timetables. Where possible, the VAO's should be consulted on such plans and be asked to assist in shouldering part of implementation (i.e., getting the job done).
6. A coordinated publicity/marketing campaign should be planned and implemented on a National basis for the SBA veterans program.
7. Full and proper training of SBA staff about the veterans program should take place on a regular and recurring basis.
8. Some sort of activity report/management tool should be instituted for VAOs and ADSBDs in regard to the veterans program.
9. SBA's National Office should continue to develop promising "pilot projects" that can be "packaged" for implementation in all District Offices where there is a perceived demand. Further, it is recommended that OVA explore, with the cooperation of the National Small Business Development Division of SBA, the inexpensive "re-packaging" of special programs that could meet the needs and interests of veterans.

From the VBRC/VAO Subcommittee:

1. SBA should conduct VAO training at district/regional levels at least annually.
2. SBA should update VAO handbook denoting sufficient prominence to all veteran service providers as a resource.
3. VAO's should develop annual veteran work plans with clear goals/objectives.
4. Veterans Office should establish concise "mandatory activities" in work plans, i.e., semi-annual veteran workshops or speak of veterans organization functions. Also, should develop "recommended activities" that if time, resources, inclination permit, may be planned.
5. SBA should establish monthly VAO veterans activity reports sent to the Regional VAO and then to Central Office. The report would cover all contacts, activities, plans, problems, etc.
6. SBA should establish a VAO Achievement Award, annually, for an exceptional VAO.
7. OVA should develop "stock" SBA veteran program radio PSA's which could be used for workshops, or other veteran activities.
8. Develop and distribute an OVA poster to be displayed in all field offices, giving VAO name/phone.

VETERANS ADVISORY COMMITTEE

1. How often does the Veterans Advisory Committee meet?

The Advisory Committee on Veterans Business Affairs meets quarterly. They met on March 21, 1985, June 25, 1985 and August 21, 1985.

3. Please provide a schedule of all past and further meetings, and a list of Committee members.

The Committee met on:

- o March 21, 1985
- o June 25, 1985, and
- o August 21, 1985

We want to schedule another meeting at the convenience of the members but cannot agree on a date now because of the holidays and our upcoming VAO training which enjoys a high priority.

A listing of the Committee members is attached.

MEMBERS OF THE NATIONAL ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS
AS OF OCTOBER 1, 1985

Rick Weidman
Director of Government
Relations
Vietnam Veterans of America
2001 S Street, N.W.
Suite 700
Washington, DC 20009
(202) 332-2700

Harold Woods
Administrative Assistant
Disabled American Veterans
807 Maine Avenue, SW
Washington, DC 20024
(202) 554-3506

Ramsey Alexander
Office of Small Business
Veterans Administration
810 Vermont Ave. N.W.
Washington, DC 22420
(202) 376-6998

Ken Lee
Associate Director
American Bankers Assoc.
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Washington, DC 20036
(202) 467-4200

Jim Pechin
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(707) 538-4080

Al Virellas
Associate Advocacy Director
Paralyzed Veterans of
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801 18th Street, NW
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(202) 872-1300

Vince Pagano
Special Assistant to the
Assistant Secretary
Department of Labor
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Washington, DC 20210
(202) 523-9116

Thomas Hartin
Dallas Vietnam Veterans
Leadership Program, Inc.
4141 Blue Lake Circle
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Mary Stout
Vietnam Veterans of America
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Holace Crouch
Director, Small Business &
Education Utilization
Office of Secretary of
Defense
Room 2A340 - The Pentagon
Washington, DC 20301
(202) 697-9383

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National Service Director
AmVets
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Lanham, MD 20706
(301) 459-9600

Gen. Robert Eaton
The American Legion
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(202) 861-2711

Harold Serven
Appeals Consultant
Veterans of Foreign Wars
of the United States
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Wilburn H. Long
National Employment Director
Blinded Veterans Association
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Suite 600
Washington, DC 20036
(202) 347-4010

Herman Director
Chief Economist
Nat'l. Sm. Business Assoc.
1604 K Street NW
Washington, DC 20006
(202) 293-8830

Jerry Adams
American Dream Realty, Ltd.
P.O. Box 1387
Midlothian, VA 23113
(804) 320-4118
(804) 320-2773

SOUTH CAROLINA PILOT PROGRAM

1. Please provide details of SBA's two-year entrepreneurial training pilot program aimed at establishing veterans in business in South Carolina.

This is a joint Department of Labor/SBA project. The Interagency Agreement and proposal are attached.

INTERAGENCY AGREEMENT BETWEEN THE
SMALL BUSINESS ADMINISTRATION
AND THE
U.S. DEPARTMENT OF LABOR
VETERANS' EMPLOYMENT AND TRAINING SERVICE

This agreement is entered into between the Department of Labor (DOL) and the Small Business Administration (SBA).

A. Subject: THE SOUTH CAROLINA VETERANS' ENTREPRENEURIAL-DEVELOPMENT PROGRAM

The South Carolina Employment Security Commission has submitted an innovative proposal for funding of a comprehensive pilot project in South Carolina to train six veterans' on entrepreneurship and have as many business starts as possible within a 21-month period. The project will require \$138,528 in Federal funding. The Department of Labor will be the granting agency.

B. Background and Description of Services to Be Performed

Small businesses employ the majority of Americans, and each year thousands of successful businesses are launched. ~~Traditionally, the Veterans' Employment and Training Service (VETS)~~ emphasis has been on placing veterans in existing jobs. The VETS has determined that self-employment is an excellent option for interested veterans, and that its delivery system should be able to assist such veterans where possible in developing small businesses. This is a mandate of the SBA's Office of Veterans Affairs. With this in mind the two agencies agree to fund the following project:

The South Carolina Employment Security Commission in conjunction with the South Carolina Technical Education System and the South Carolina District SBA will implement a comprehensive small business growth and entrepreneurial development program which will be offered to a selected number of recently separated, service-connected disabled and Vietnam-era veterans who are seriously exploring the possibility of starting and operating a successful small business in South Carolina. Unlike conventional training concepts for veterans, this program will on a demonstration basis provide an individualized training, counseling and technical assistance approach toward the development and implementation of a business plan which will enhance veterans chances of owning and operating a successful business. Sixty veterans will participate in this program.

C. Reporting Requirements

The South Carolina Employment Security Commission will submit to the DOL and the SBA a brief report each month regarding numbers and types of participants in the program, a quarterly narrative summary regarding all aspects of the program, and a comprehensive final report at the end of the grant.

D. Reimbursement

Billing will be accomplished by Standard Form 1081 in the amount of \$69,264. The bill should be sent to:

Mr. Harry Carver
Comptroller
U.S. Small Business Administration
~~1441 "L" Street, N.W.~~
Room 524
Washington, DC 20416

E. Duration

This agreement shall be effective from the date of the grant award, November 25, 1985 to August 24, 1987, which is the grant termination date.

F. Project Officers

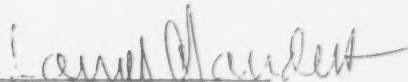
Eric Rudert, Program Analyst, Veterans' Employment and Training Service, U. S. Department of Labor, Room S-1316, 200 Constitution Avenue, N. W., Washington, D.C. 20210, telephone (202) 523-9110.

James Parker, Assistant Director, Eastern Operations, Office of Veterans Affairs, U. S. Small Business Administration 1441 "L" Street, N. W., Washington, D.C. 20416, telephone (202) 653-8220.

Approved:



William E. Brock, III
Secretary
Department of Labor



James C. Sanders
Administrator
Small Business Administration

B-1

OMB Approved No. 0548-0008

FEDERAL ASSISTANCE		2. APPLICANT'S APPLICATION IDENTIFIER	3. STATE APPLICATION IDENTIFIER	4. NUMBER
1. TYPE OF SUBMISSION (Mark one) ☐ NOTICE OF INTENT (OPTIONAL) ☐ PREAPPLICATION ☒ APPLICATION		5. DATE Four month day 1985 Nov. 19	6. DATE ASSIGNED BY STATE Four month day 19	7. DATE ASSIGNED Four month day 19
8. LEGAL APPLICANT/RECIPIENT a. Applicant Name b. Organization Unit c. Street P.O. Box d. City e. State f. Contact Person (Name & Telephone No.)		9. EMPLOYER IDENTIFICATION NUMBER (EIN) 57-6-000-286		
10. TITLE OF APPLICANT'S PROJECT (Use section IV of the form to provide a summary description of the project) Veterans Entrepreneurship Training Program to train sixty (60) veterans in the establishment of small businesses.		11. TYPE OF APPLICANT/RECIPIENT a. Business b. Non-Profit c. Government d. Other e. Other (Specify)		
12. AREA OF PROJECT IMPACT (Number of states, counties, cities, etc.) State of South Carolina		13. ESTIMATED NUMBER OF PERSONS BENEFITING 60		
14. TYPE OF ASSISTANCE a. Capital b. Equipment c. Other d. Other (Specify)		15. TYPE OF APPLICATION a. Request b. Request for Information c. Request for Proposal d. Other (Specify)		
16. PROPOSED FUNDING a. FEDERAL \$ 138,528.00 b. APPLICANT \$ 0.00 c. STATE \$ 32,900.00 d. LOCAL \$ 0.00 e. OTHER \$ 0.00 Total \$ 171,428.00		17. PROJECT START DATE Four month day 1985 Nov. 22		
18. FEDERAL AGENCY TO RECEIVE REQUEST Department of Labor		19. EXISTING FEDERAL GRANT IDENTIFICATION NUMBER		
20. ORGANIZATIONAL UNIT OF APPLICANT Robert E. David, Executive Director S. C. Employment Security Commission		21. REMARKS ADDED		
22. THE APPLICANT CERTIFIES THAT: a. TO THE BEST OF HIS KNOWLEDGE AND BELIEF, HE IS THE OWNER AND CONTROLLER OF THE ORGANIZATION FOR WHICH THE ASSISTANCE IS REQUESTED. b. THE ASSISTANCE IS NOT FOR THE BENEFIT OF AN INDIVIDUAL OR A GROUP OF INDIVIDUALS. c. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN COUNTRY OR A FOREIGN GOVERNMENT. d. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. e. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. f. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. g. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. h. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. i. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. j. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. k. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. l. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. m. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. n. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. o. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. p. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. q. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. r. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. s. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. t. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. u. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. v. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. w. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL. x. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ORGANIZATION. y. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN ENTITY. z. THE ASSISTANCE IS NOT FOR THE BENEFIT OF A FOREIGN NATIONAL.		23. FEDERAL AGENCY IDENTIFICATION NUMBER 24. FEDERAL GRANT IDENTIFICATION		
25. ACTION TAKEN a. AWARDED b. REJECTED c. RETURNED FOR AMENDMENT d. RETURNED FOR E.O. 12372 SUBMISSION BY APPLICANT TO STATE e. DEFERRED f. WITHDRAWN		26. ACTION DATE Four month day 1985 Nov. 19		
27. STARTING DATE Four month day 1985 Nov. 19		28. ENDING DATE Four month day 1985 Nov. 19		

ENTREPRENEURSHIP TRAINING FOR VETERANS
A PROPOSAL FOR A COOPERATIVE EFFORT BETWEEN THE
S. C. TECHNICAL EDUCATION SYSTEM
AND THE
S. C. EMPLOYMENT SECURITY COMMISSION

RATIONALE AND NEED

Our educational system normally points the student toward a job, or toward higher and higher educational degrees. In many cases the job may be non-existent upon graduation. At the same time, many opportunities exist or can be created for self-employment for the thoroughly prepared entrepreneur.

During the economic adjustment period of the 1980's, many jobs were permanently lost because of automation, shifting markets, and the introduction of more advanced technology. Bold steps must be taken to create permanent, meaningful, and personally satisfying jobs, which promote economic growth. Small businesses are a key ingredient in economic growth. They are the greatest innovators, employ more people and produce the most goods and services. This proposal espouses the philosophy that many veterans returning to civilian life would do themselves and others a favor by "Making a job, not taking a job". In addition, veterans who start a small business are likely to employ other veterans as the business grows, thus further expanding the number of available jobs.

A 1974 Dunn and Bradstreet report points out that managerial inexperience and ineptitude cause 90 percent of small business failures. Small business owners obviously need both technical skills, such as one learns in the military, and special management skills that can be learned to be successful. The small business owner needs to be a generalist who has the skills essential to small business operation: bookkeeping, marketing, employee relations, and a host of others. These are readily available in our technical colleges.

The South Carolina Employment Security Commission, state technical colleges and the Small Business Administration working together can, by using currently available counseling services and tools such as SCOTS, guide veterans and other students into these new career paths. Many of the technical colleges already have a variety of courses directly related to entrepreneurial development. In addition, several business technology centers are being established near technical colleges and these will provide environment suitable for starting new business enterprises.

PROJECT OBJECTIVES

- To establish a central project coordination and support unit which will serve as a clearinghouse for technical information, provide on-going research to determine success/failure rates of various enterprises, and to determine those personal attributes which make a person successful in his own business; and to serve as a coordination unit and fiscal agent.
- To identify six South Carolina technical colleges who will form an alliance to serve as delivery vehicles for this activity.
- To identify and guide sixty selected candidates (veterans) into educational programs which guide them into establishing appropriate small businesses.

Concept of Operation

The South Carolina Employment Security Commission will identify and recruit veterans with the interest, the aptitude, and at least a nucleus of technical skills which can serve as a foundation for entrepreneurial training which will allow the individuals to progress as a student and later as an entrepreneur. Initially, emphasis will be placed upon the veterans who are currently being discharged before they become demoralized by long-term unemployment and before their resources are depleted.

The South Carolina Employment Security Commission has thirty-two (32) local offices throughout the State that provide veterans service in all forty-six counties of the State. These offices have trained professional interviewers and counselors which would provide the initial screening process to veterans based on the following selection criteria:

- Must demonstrate above average performance and skill in chosen career.
- Must demonstrate interpersonal skills in managing, motivating, teaching and guiding others, as required.
- Must be a self-starter, self-motivated and willing to work hard and long hours.
- Must have physical attributes required, i.e., health, strength, size, etc.
- Must have a strong desire to be self-employed in the field.
- Candidates must have successfully completed a year of post secondary work in the field or have worked in the field at least one year.

The procedure used by the Employment Service to screen and select individual veterans for referral to training would be:

- Standard interviewing skills and techniques by professional interviewers.
- Appropriate personal recommendations.
- Selected testing as required.
- Referral to staff professionals with Small Business Administration for aptitude assessment for referral to entrepreneurial training.

The individuals selected for training would be referred to the appropriate TEC college participating in the programs for enrollment.

Training

The South Carolina State Board for Technical and Comprehensive Education coordinates and funds sixteen (16) technical colleges throughout the State in which a wide variety of occupational skills are taught. Each of these colleges work closely with the industrial and business community in support of Economic Development.

Initially six technical colleges will be selected to participate in the entrepreneurial training program. The selection of these institutions will be based on the following criteria:

- The small business climate in the area; i.e., venture capital available, lucrative markets, population characteristics, etc.
- The support services offered by the college available to students and small businesses.
- The demonstrated interest, capability, and commitment of the college staff and faculty.
- The availability of external support services such as Small Business Development Centers.

The six technical colleges selected will serve as a delivery vehicle for educational services. The central staff for Comprehensive Technical Education, working through the local colleges, will provide research and curriculum advisement to insure that the candidates receive the appropriate additional skills and information needed to initiate successful businesses.

dual in setting occupational objectives. Moreover, these specialists provide career counseling services and personally guide their clients through appropriate activities in an effort to assure career and educational decision making which is consistent with interests, special aptitudes, and persuasions.

Business Assistance and Service Information Center - The South Carolina State Development Board operates a Business Assistance and Services Information Center. It can assist in business formation by providing up-to-date information on financing, management, marketing, and government contracts available to small businesses, and other supportive services. It also publishes a newsletter, Basic Issues, which is available to the entrepreneur on a no cost basis.

South Carolina Small Business Development Center (SBDC) - The University of South Carolina, Clemson University, and Winthrop College operate the South Carolina Small Business Development Centers (SBDC). In addition to these locations, activities of the SBDC are conducted through the technical colleges. The resources of this Small Business Center can materially contribute to the success of the proposed project.

Business and Technology Center - Control Data Corporation is the major sponsor of the Business and Technology Center at Charleston. Trident Technical College is also a contributor to the educational program at the Center. Such facilities are referred to as small business "incubators", and is locally referred to as the "Fairbreak Center". They provide a variety of support services to small businesses, i.e., facilities, telephone answering, computer facilities, shipping and receiving, education, etc.

Three more such facilities are planned for South Carolina. The proposed project will make full use of existing and planned resources.

EVALUATION

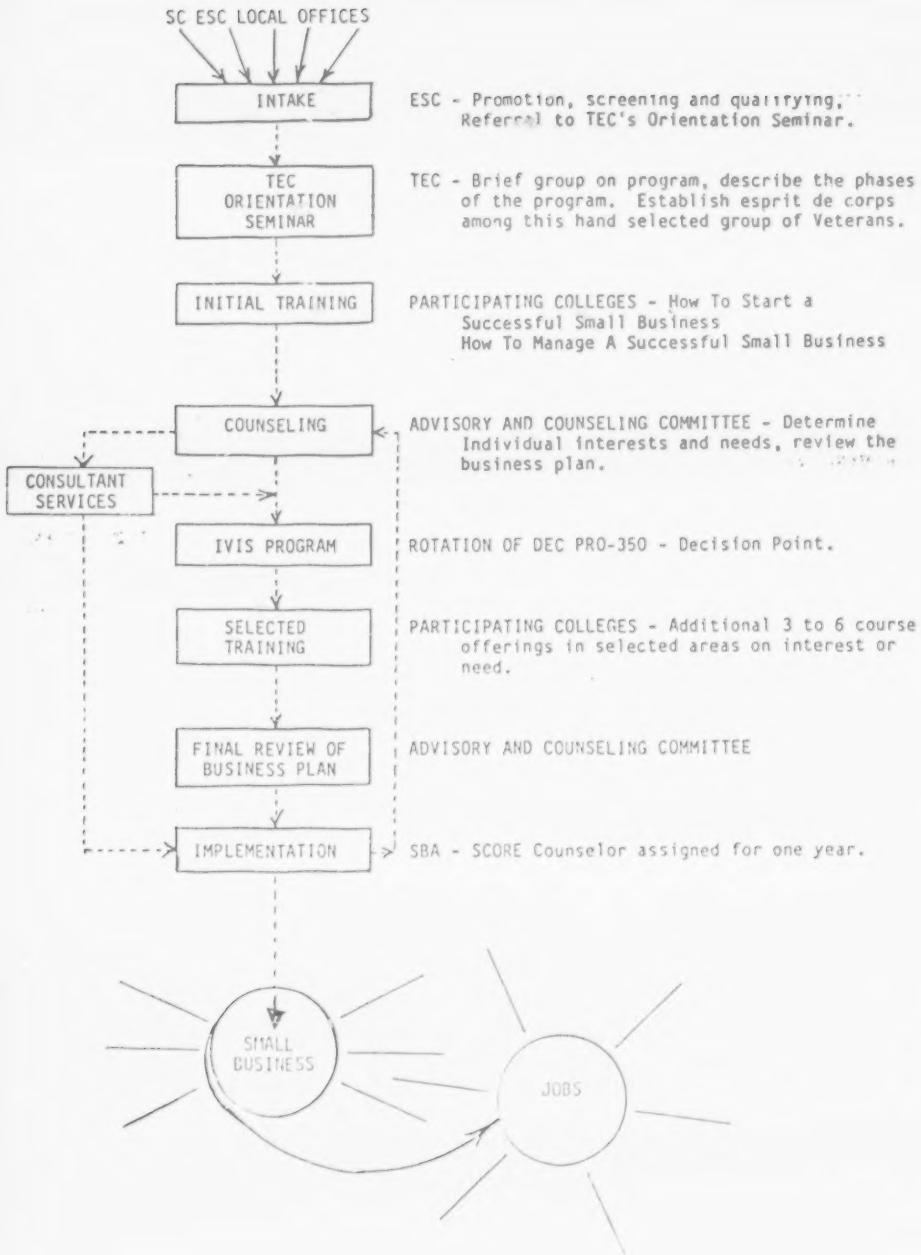
Accurate records will be maintained on expenditures and participant information. These records will be used in the research application and will be made available to all agencies participating in this project.

To insure effective coordination of services and to avoid any duplication of effort, an advisory committee will be established from agencies, colleges, and other resource persons participating in this project.

A qualified independent evaluator will be retained for periodic evaluations as well as to draft a final report of conclusions. The final report will summarize the activities of the project and the findings of the research effort. This information will be available to interested parties.

APPENDIX A

TRAINING PLAN



This program is a cooperative effort, pooling the expertise of the State Board For Technical and Comprehensive Education, the Small Business Administration, The State Employment Security Commission and six Technical Colleges in an effort to promote Entrepreneurial Development in South Carolina. The Veteran's Entrepreneurial Development, (VED) Program consists of eight comprehensive components as outlined on the following pages.

INTAKE - It shall be the responsibility of the State Employment Security Commission to identify qualified veterans for this program and make appropriate referrals to the participating Technical Colleges via a joint orientation seminar.

This process will include:

1. promotion of the Veterans Entrepreneurial Development Program to draw applicants,
2. development of the selectivity criteria (with joint participation from the SBA, ESC and TEC),
3. selection of 10 veterans for each of the six initial participating Technical Colleges, and
4. referral of the veterans to a joint orientation seminar to be conducted in Columbia.

ESC - The Employment Security Commission will serve as the Administrative Agency and will prepare all reports required by the funding agency.

State TEC will be responsible for compiling the data from the six participating Technical Colleges and providing ESC with the training, counseling and expenditure information necessary for reports required by the funding agency.

The participating TEC Colleges will be responsible for submitting, in writing by specified dates, all information on training, counseling and expenditures, to the State TEC office, which are required by the funding agency.

ORIENTATION SEMINAR

STATE TEC - The State Board for Technical and Comprehensive Education will be responsible for developing and co-sponsoring the Orientation Seminar to be held in Columbia at a specified date prior to the actual training effort.

The Orientation Seminar will include the sixty selected veterans, representation from the six participating TEC Colleges and the State TEC office. This Orientation will include a welcome and motivational address to establish esprit de corps and describe the mechanics of the program. The Entrepreneurial Development Teleconference video tape will be viewed and the respective college representatives will enroll the ten selected veterans to their college program.

The participating TEC College will be responsible for reimbursement of travel expenses at a rate of 20.5 cents per mile for the veterans attending the Orientation Seminar in Columbia.

Participating Technical Colleges - The participating Technical Colleges will send representation to the initial Orientation Seminar to meet and welcome,

the selected veterans and to enroll the ten veterans for their college training program.

INITIAL TRAINING

The participating TEC College will provide a two-track training program, How to Start a Successful Small Business, and How to Manage a Successful Small Business, both consisting of six, three hour sessions totaling thirty-six hour of instruction for the Initial Training phase of this program. These programs are designed to be general in nature and cover subject information appropriate for anyone embarking on their first business ownership venture.

COUNSELING/ADVISORY TEAM

The participating TEC College will establish a Counseling/Advisory Committee consisting of the following:

- 1 member from the Colleges Business Department,
- 1 member from the Colleges Continuing Education Dept.,
- 1 member from the Colleges Career Counseling Center, and
- 1 member from the SBA, (SCORE).

The purpose of this team will be to provide overall counselling support services as well as to assist the veteran in the prescribed training selection process and development of his or her business plan. As the veteran requires specific assistance in selected areas, the C/AT will refer them to existing resources such as the Small Business Development Centers, Business Technology Centers, Business Assistance and Services Information Center, Jobs and Economic Development Authority, Small Business Administration and the Office of Small and Minority Business. Consultant services will be prescribed or purchased where specific, targeted deficiencies are identified. Often, the small business person will face critical decisions that are "business specific" which are not addressed by courses and services provided. As this occurs, the TEC College will have available the resources to either provide or purchase the technical expertise critical to the success of the potential small business person.

SBA - The Small Business Administration will provide one SCORE representative to serve on each of the participating TEC College's Counseling/Advisory TEAM.

SELECTED TRAINING

The Counseling/Advisory Team, (C/AT), will discuss candidly with the participating veteran, his or her present position relative to the specific interests or training needs, after or near completion of the initial training phase, and to identify three to six training offerings which will best satisfy the veterans individual training needs and schedule.

IVIS PROGRAM - DECISION POINT

The participating TEC College will be responsible for coordinating with the State TEC office for moving and setup of the PRO 350 DEC interactive

computer system to permit each veteran the opportunity to participate in the Decision Point program.

State TEC will be responsible for moving and set up arrangements of the DEC - Pro 350 computer and IVIS system (Interactive Video Instruction System) at the participating Technical Colleges. The interactive computer assisted instructional program, Decision Point, will be available for each veteran to participate in.

FINAL REVIEW OF BUSINESS PLAN

The Counseling/Advisory Team will participate in the final review of the business plan through a critique of the written plan and oral presentation of the participating veteran.

The SBA will assign a SCORE counselor to each veteran who intends to present a business plan to the Counseling/Advisory Committee. This counselor may assist in the development of the business plan and will be present at the business plan review, but will not be an active participant in the critique or defense of the business plan. The SCORE Counselor will be assigned to that veteran for a period of one year if the veteran decides to implement his or her business plan within six months following the final review.

CURRICULUM OUTLINE

I. ORIENTATION

- UNDERSTANDING THE NATURE OF SMALL BUSINESS
- DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR
- PLANNING YOUR BUSINESS
- INTRODUCTION TO ENTREPRENEURSHIP AND SELF-EMPLOYMENT

II. STARTING A SUCCESSFUL SMALL BUSINESS

- SELECTION OF EFFECTIVE PROTECTIVE STEPS
- OBTAINING TECHNICAL ASSISTANCE
- INSURANCE
- STARTING A SMALL BUSINESS
- SELECTION OF EFFECTIVE LEGAL FORM OF BUSINESS ORGANIZATION
- FORMS OF BUSINESS
- THE SMALL BUSINESS ENTERPRISE
- SELECTING A LOCATION
- DEVELOPING THE BUSINESS PLAN
- LOCATING THE BUSINESS
- SETTING UP YOUR BUSINESS
- SELECTION OF EFFECTIVE SPECIALIZED ASSISTANCE
- CHOOSING THE TYPE OF OWNERSHIP
- RISK MANAGEMENT AND INSURANCE

III. FINANCING A SMALL BUSINESS

- FINANCING THE SMALL BUSINESS
- UNDERSTANDING MONEY SOURCES
- BUSINESS FINANCIAL PLANNING
- GOVERNMENT SUPPORT IN BUSINESS
- EVALUATING MONEY SOURCES

IV. MARKETING AND SALES IN A SMALL BUSINESS

- MARKETING STRATEGY
- SALESMANSHIP
- PRICING
- MANAGING SALES EFFORTS
- PLANNING THE MARKETING STRATEGY

V. ADVERTISING AND PUBLIC RELATIONS IN A SMALL BUSINESS

- BUILDING A FLEXIBLE ADVERTISING PLAN
- PROMOTING THE BUSINESS

VI. BOOKKEEPING, ACCOUNTING AND TAXES

- UNDERSTANDING A BASIC ACCOUNTING SYSTEM
- INVENTORY AND SCHEDULING TECHNIQUES
- TAXATION AND TAX PLANNING
- SETTING UP THE BOOKS
- KEEPING THE BUSINESS RECORDS
- PAPERWORK MANAGEMENT

VII. MONEY MANAGEMENT

- MANAGING THE FINANCES
- RETAIL BUYING FUNCTION
- ASSET MANAGEMENT
- DETERMINING PRICING AND CREDIT POLICIES
- PURCHASING
- INSURANCE
- COST CONTROL
- MANAGING CUSTOMER CREDIT AND COLLECTIONS
- UNDERSTANDING COSTS
- PROPERTY MANAGEMENT
- THE PROFIT PLAN
- INVENTORY AND SUPPLIES
- MANAGING FIXED ASSETS

VIII. TECHNOLOGY ENHANCEMENTS

- ALL ABOUT PERSONAL COMPUTERS

IX. LICENSING/REGULATORY/SPECIFIC BUSINESS OPPORTUNITIES

- BUILDING, EQUIPMENT, AND LAYOUT
- DEALING WITH LEGAL ISSUES
- COMPLYING WITH GOVERNMENT REGULATIONS
- OPERATING PERMITS, LICENSES, AND TAX REGULATIONS
- PROTECTING THE BUSINESS

X. DEVELOPMENT, INTERPERSONAL, AND PUBLIC PERCEPTION

- HUMAN RELATIONS — ITS EFFECT ON PERSONAL AND BUSINESS LIFE
- PERSONNEL MANAGEMENT FOR THE ENTREPRENEUR
- PSYCHOLOGY OF MANAGERS
- EFFECTS OF BUSINESS DECISIONS
- BUSINESSMEN: HOW PROFITABLE ARE YOUR RELATIONS
- MANAGING RETAIL SALESPeOPLE
- PERSONAL AND FAMILY FINANCIAL MANAGEMENT
- JOB ANALYSIS, JOB SPECIFICATIONS, AND JOB DESCRIPTIONS
- PERSONNEL MANAGEMENT IN SMALL BUSINESS
- RECRUITING AND SELECTING EMPLOYEES
- MANAGING HUMAN RESOURCES
- WORKER PERFORMANCE
- TRAINING AND DEVELOPING EMPLOYEES
- EMPLOYEE RELATIONS AND PERSONNEL POLICIES

ADDENDUM

The following items are provided as an addendum to the narrative portion of this grant.

1. A statement shall be included in the enrollee's orientation package which will state that acceptance into the program does not constitute in any way approval of a business loan nor does it guarantee that completion of the program will result in favorable action on a loan application.
2. In the training plan, the use of consultants will not be on a retainer basis for the duration of the project, but on a as needed basis after every effort to use available resources have been exhausted.
3. Role of the Coordinators. The coordinators will be responsible for establishing the Counseling/Advisory Team at the participating technical colleges; to chair the Counseling/Advisory Team. The coordinators will be responsible for securing or purchasing the consultation services recommended by the Counseling/Advisory Team for the veterans' specific needs. The coordinator will also provide follow-up technical assistance to participants for six months after completion of the projects training period.

4. Target Goals: Positive steps shall be taken to insure that a variety of individuals with varying backgrounds shall be qualified to enter the program. In addition, individuals with a variety of business plans will be sought. The project will serve recently separated, Vietnam-era, and service-connected disabled veterans. Emphasis will be placed on disabled veterans with a minimum target of 10% as participants.

5. Enrollment Selection Committee: This committee shall consist of five members. This committee will be responsible for reviewing applications for enrollment into the program and shall by majority vote select the best qualified applicants based on proposal target goals. The composition of the team is as follows:

Chairman - District Veterans Affairs Office,
Small Business Administration.

Member - Employment Security Representatives,
LVER

Member - State Technical Education Representatives

Member - SCORE Representative

Member - Financial Planner

6. Projected Program Outcome: The program will enroll 60 veterans into the training component. Of these 60 enrollees we anticipate that 51 enrollees or 85% will complete the program. Of the 51 enrollees completing the course, 31 enrollees will start new businesses.

7. IVIS Training Program: The South Carolina TEC Board owns a DEC Pro 350 Computer which is used for management training in decision making. The system uses an interactive video program called "Decision Point." The use of this equipment will constitute in-kind matching as budgeted.

Each enrollee will have the opportunity to be exposed to this training instrument.

Program Management

The program management will be a joint responsibility between the grantee, the South Carolina Employment Security Commission, and the State Board for Comprehensive and Technical Education, the training contractor.

The Program Coordinators at the six Technical Colleges will maintain weekly contact with enrollees at their respective Technical Colleges. The Coordinators will report on a weekly basis to the Training Project Manager on program progress. The Training Project Manager will conduct monthly meetings with the local coordinators to ensure that resources are being coordinated at the local college level. Local coordinators will meet with veterans in the program on a monthly basis and maintain records on veterans participating in the program at their respective Technical Colleges. These records should include an exit interview with any enrollee that desires to terminate from the program.

The Training Project Manager for Technical Education will report in writing to the grants manager of the South Carolina Employment Security Commission monthly. The report should contain a narrative portion to include any problem areas noted as well as current status of enrollment levels, completions, terminations, and recommended courses of action for program improvement. A detailed

numerical breakout for each of the Technical Colleges will accompany the narrative report. A monthly financial report will also be required to the grantee from the training contractor.

The Grant Manager for the Employment Security Commission will prepare a monthly report for submission to the Department of Labor. This report will contain a narrative section, a numerical report by Technical College, and a financial report to include invoicing of funds.

The grantee will provide an initial start-up report at the end of the month in which the program start-up occurred. This report will identify early start-up problems and actions taken to correct these problems. This initial report will also include all promotional and coordinative activities that led up to the start of the education phase at the Technical Colleges.

At the conclusion of the project, a detailed in-depth final report will be submitted by the grantee with recommended courses of action for program improvement, detailed narrative and video display of the complete project from start-up through the followup phase.

PROJECT TIMETABLE

Promotion; preparation	November - December, 1985
Recruitment	December, 1985 - March, 1986
Training	January - December 31, 1986
Business Startups	By December 31, 1986
Followup	Through May, 1987
Final Report and Documentation	June - August 1987

BUDGET INFORMATION

OMB NO. 25-80018

GRANT PROGRAM, FUNCTION ACTIVITY (a)		FEDERAL CATALOG NO. (b)		SECTION A - BUDGET SUMMARY				NEW OR REVISED BUDGET	
				ESTIMATED UNOBLIGATED FUNDS					
				FEDERAL (c)	NON-FEDERAL (d)	FEDERAL (e)	NON-FEDERAL (f)	TOTAL (g)	
1.			17,802						
2.									
3.									
4.									
5. TOTALS									

SECTION B - BUDGET CATEGORIES		GRANT PROGRAM, FUNCTION OR ACTIVITY		MATCH/IN-KIND		TOTAL	
		IV-C AMT (a)	IV-C AMT (b)	IV-C AMT (c)	IV-C AMT (d)	IV-C AMT (e)	IV-C AMT (f)
A. OBJECT CLASS CATEGORIES							
1. PERSONNEL		9,189					
2. FRANCH BENEFITS		1,813					
3. TRAVEL		463					
4. EQUIPMENT							
5. SUPPLIES							
6. CONTRACTUAL		120,692	32,900				
7. CONSTRUCTION							
8. OTHER		4,776					
9. TOTAL DIRECT CHARGES		132,933					
10. INDIRECT CHARGES		1,595					
11. TOTALS		138,528	32,900				
12. PROGRAM INCOME							

OMB NO. 25 N-2718

IN STATE PROGRAM		SECTION C - NON-FEDERAL RESOURCES			
		IN APPLICANT	IN STATE	IN OTHER SOURCES	IN TOTAL
1. Title IV-C Entrepreneurship		\$	\$ 32,900	\$	\$ 32,900
2. Program					
3.					
4.					
5.					
6. TOTAL		\$	\$ 32,900	\$	\$ 32,900

SECTION D - FORECASTED CASH NEEDS				
TOTAL FUND YEAR	1ST QUARTER	2ND QUARTER	3RD QUARTER	
7. FEDERAL	\$ 138,528	\$ 7,316	\$ 37,316	\$ 27,316
8. NON-FEDERAL	32,900		15,000	2,900
9. TOTAL	\$ 171,428	\$	\$	\$

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT			
IN GRANT PROGRAM	FUTURE FUNDING PERIODS (if applicable)		
	IN FIRST	1ST SECOND	1ST THIRD
10.	\$	\$	\$
11.			
12.			
13.			
14.			
15. TOTAL	\$	\$	\$

SECTION F - OTHER BUDGET INFORMATION (attach additional sheets if necessary)	
16. DIRECT CHARGES	
17. INDIRECT CHARGES	
18. REMARKS	

2nd Year

OMB NO. 25-02218

SECTION C - NON-FEDERAL RESOURCES		IN STATE		IN OTHER SOURCES		IN TOTALS	
GRANT PROGRAM		IN APPLICANT		IN OTHER SOURCES		IN TOTALS	
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OVERALL PROJECT BUDGET

South Carolina Employment Security Commission
 Veterans Entrepreneurship Training Project

A. Salaries and Wages		
JTPA Director, 13%	=	\$9,466
of time, weekly salary		
of \$827.48, 88 weeks		
B. State Approved Fringe	=	\$1,822
benefit rate of 19.25%		
for 88 weeks, 13% of		
time		
C. Travel - 2,258 Miles	=	\$463.00
@.205 - EXPLANATION		
(Travel to six		
area TEC Centers to		
coordinate & monitor		
program activity)		
D. Pro rata space rental	=	\$504.00
for 12 months		
E. Consultants and/or	=	\$120,692.00
contracts with		

institutions

F.	Other (Supplies,	=	\$3,944.00
	printing, program		
	promotion & Eval.)		

Costs under this item will include supplies for printing promotion brochures, development of video tapes for approximately twenty radio stations, and the cost of producing the final report in video and hard copy format that would be suitable to be transported to other states.

G. Indirect rate @14.5 = \$1,637.00
against direct salaries
and fringe - from DOL

Total Project Cost \$138,528.00

BACK-UP FOR SUBCONTRACTOR PORTION
SOUTH CAROLINA TECHNICAL EDUCATION SYSTEMS

Salaries

Local coordinators, 6 @ \$5,000 ea.
 (1/4 time) x 1.5 years \$ 45,000

Fringe Benefits

18% x \$45,000 8,100

Orientation

Instructors/Speakers
 2 @ \$150 per day = \$300
 Travel for speakers
 Air fare Columbus, Ohio
 to Columbia and Return \$400
 Air fare Washington, DC
 to Columbia & return \$400
 Per diem \$100 day x 2 \$200

Total Orientation \$ 1,300

Initial Training

60 vets x \$70 course
 @ 2 courses per vet \$ 8,400

Prescribed Training

60 vets @ \$75 seminar -
 3 each average per vet. \$ 13,500

Consultant Services

2 days - ea. vet
 @ \$150 per day \$ 18,000

Counseling

60 vets. x 10 hours
 @ \$12.00 per hour \$ 7,200

Travel

60 vets. x 3 trips x 100
 miles x \$0.205 per mile = \$3,690

6 coordinators + 1 program
 manager - 225 miles per
 month x 18 mos. x \$0.205 = \$5,810

Total Travel \$ 9,500

Supplies

\$9.25 per week x 7
 locations x 78 wks. \$ 5,050
 Total Direct Cost \$116,050

Indirect Cost @ 4% x 116,050 \$ 4,642
 TOTAL PROJECT COST \$120,692

Salaries

Coordinators

State TEC rate for coordinators

Fringe Benefits

FICA, Workmens Comp., Hospitalization

18% established rate

Orientation

National Center for Vocational Education and Research

Novella Ross - expert in entrepreneurial training

American Society for Colleges - Community Colleges

Judy Nye - expert in entrepreneurial training

National Network - key leaders in development of
entrepreneuership

Per diem is within State regulations

"Counseling" is for college's career Development Center's
involvement on the Counseling/Advisory Team

Travel - veterans 3 trips - one of which is for the orientation. Some colleges do not have all courses - a number of the participants will have to travel to other colleges at much farther distances.

Coordinator Travel

The coordinators will do much local traveling to stay in touch with their participants. They will also attend at least five State coordinators workshops during the life of the project. The program manager will visit each of the six sites on a quarterly basis.

Indirect Rate

Approved rate by Department of Education

Match By South Carolina Technical Education System

Space

400 square feet x 7 locations x \$1.175 square feet x 10 months = \$32,900

Mr. PARKER. Mr. Chairman, in answer to your opening statement, I wonder if I could make a statement.

Senator KERRY. Absolutely. I would welcome that.

Mr. PARKER. This was concerning the calls or the survey that your staff made.

Senator KERRY. Sure.

Mr. PARKER. Determining whether we had a veterans affairs program or whether there was knowledge of such on that. I simply can't leave the impression that SBA has 40 percent or 35 percent of its offices that are not aware of a veterans program.

I hope that when they made this survey, they asked for the veterans affairs officer. I have no idea what kind of survey you had, whether it was scientific or otherwise, and I certainly do not question in any form, shape, or way the veracity of your statement.

I would only say this, that I know, and I state this categorically, that there is a person in every single major branch and district office who is familiar with the veterans affairs program. I say to you that the 35 percent that you speak of is certainly totally unacceptable to us, and we will move immediately to correct any lack of communication that there might be.

We feel that we can, through the training program and through your survey, correct this situation. I hope that your staff will, immediately after this, give us the documents and the responses for us to begin to work together to find out where the problem was so that we can correct it immediately.

Senator KERRY. Let me just say to you I appreciate that. I obviously appreciate your willingness to correct it if indeed there is a problem, and I really do appreciate that. I think we all welcome it.

Let me assure you that this was a very straightforward approach to find out in a bona fide fashion what was out there, and I have all the returns right here. I would be happy to have my office share them with you, region by region the compilations.

The initial opening was, hello, I am a Vietnam veteran calling to get information to help other veterans who are interested in getting started in small business. I would like to find out what is available to veterans in your office. Question one, is there a special person in your office who is designated to provide special advice and assistance for veterans? And that is a pretty straightforward question. What is that person's name? What is that person's title? May I please speak to that person?

In this particular region, there were 74 yeses and 13 noes, percentage-wise.

Do you have a veterans program at SBA? Yes was 55, no was 22, and don't know was 10.

I heard that there is a special loan program for Vietnam veterans. Is that true? Yes was 52, no was 29, don't know was 16.

Are there any loan funds available for veterans who apply right now? Yes was 63, no was 14, and don't know was 10. So, for the don't know and the no, you get 24. That is 24 veterans who are walking around saying I don't know what is real out there.

I mean, those numbers ought to be 100.

Mr. PARKER. They certainly should, and there is obviously a gap between our person, our VAO in that office, and the receptionist or the person who answered the phone. That we will correct.

Senator KERRY. And these questions go on the same way. Is there a brochure or printed information a veteran can get from your office that specifically describes the veterans program? Yes was 48, no 27, don't know was 12.

Now, we get that region for region, the same kind of thing. Obviously, that is very, very disturbing. And I don't question your intentions. I don't think Senator Rockefeller does. As he said, I think you have made terrific efforts within limits, and I don't think the limits necessarily are your fault. I think any time you have efforts going on a year to year basis to abolish an agency and you are sitting there in that turmoil, you have a problem.

But I also know there are clear ways to address that problem, and I think every single one of us wants to see that undertaken.

So, we are happy to share this with you. In addition to that—the other thing that disturbs me, I have a list here of every single veterans affairs officer in the country, address and commercial telephone number and whether they are trained or not trained. Now, to the best of my knowledge, some 30 out of 88 are still not trained, and I think that goes to the essence of what Senator Rockefeller said in his opening comments about what we are going to do and how we are going to do it.

So, I won't belabor that, but I think it is important. Are you going to be able to be here for the other testimony? I think it is important to perhaps have you share in what the others have to say.

Mr. PARKER. Yes; one of us will be here.

Senator KERRY. I certainly appreciate that. I thank you, Mr. Parker. I will submit those questions to you in writing. Thank you, Mr. Bechet.

Mr. PARKER. Thank you very much.

Mr. BECHET. Thank you.

Senator KERRY. I would like to ask the next panel of Jim Bourie, Rick Weidman, and Tom Hartin to come up, please.

Let me say, gentlemen, I know there is a temptation in this business, and we all fall prey to it, to want to stick to our prepared text. It is a nice security blanket and it is safe and all the rest of it. I would like to ask you, in the interests of time, because we have a lot of witnesses and I want to be able to have questions and some interaction here, if you could try to summarize and perhaps keep your comments to about 5 minutes. We will obviously print and accept your full statements for the record. If you could help us in that, I think it would be helpful to the whole process.

Why don't we just begin with Mr. Bourie.

**STATEMENT OF JAMES G. BOURIE, NATIONAL SERVICE
DIRECTOR, AMVETS, LANHAM, MD**

Mr. BOURIE. Thank you very much, Senator.

Before I begin, and I will keep my remarks very short, but—
Senator KERRY. Just identify yourself very quickly for us.

Mr. BOURIE. All right. I am Jim Bourie. I am the national service director for AMVETS, and I have had the pleasure of working with the gentlemen here at the table on the SBA programs for many

years. We are all Vietnam veterans and consider ourselves certainly veteran advocates.

AMVETS is pleased to present its views on the Small Business Administration's veterans programs. We wish to commend this committee for taking an active role in veteran programs at SBA. The leadership shown is indeed encouraging, and we urge the committee to hold regular oversight hearings on this subject matter in the future.

It is not too difficult for us to recite the brief history of the SBA's veterans programs. Simply, there was no program prior to 1980. Years of frustration led the veteran community to seek the help of Congress which included special consideration for veterans in the Small Business Act of 1974. However, nothing was really done for veterans until at a 1981 House Veterans' Affairs Committee oversight hearing, it was recommended that the SBA form a 90-day task force to review veteran involvement in agency programs.

The SBA agreed to this task force and invited veteran organizations as well as agency program chief to serve as representatives. In time, the committee made a variety of recommendations affecting agency programs and veterans. In a remarkably short period of time, the SBA's veterans program made a 180-degree turn. Veteran affairs officers were designated, a handbook was published, a PR campaign was launched, veteran workshops were held, 32 major veteran, small business and networking conferences were held.

In 1980, veterans received 12 percent of all loaned dollars. Over the years, that figure grew considerably. In 1982, it was 22 percent and in 1983, 24 percent. In fiscal year 1984, all loans to veterans were approximately \$550 million.

Recent veteran program figures provide more evidence of the gains made by the agency's veteran programs. For 1985, 27 percent of all loans were made to veterans. Significantly, veteran default rates were, we believe, below the agency average: 6.27 percent for direct and 1.7 percent for guaranteed, much better than we believe commercial lending institutions. These figures lend further credence to the fact that veterans indeed make good credit risks.

Undoubtedly, the SBA's veterans program has made considerable progress since 1980. But now we find that little progress has been made in the past several months. One positive development, however, was the creation of a National Veterans Advisory Committee.

We are also uncomfortable with certain recent events and developments. Veteran lending rates have fallen off to 24 percent. There are still no updated veteran handbooks for distribution, and veteran program regulations are still yet to be published. There haven't been any veteran workshops recently, and the Veterans Affairs Office is without a permanent program chief. We are also concerned with the veterans office program funding.

Further, the veterans office will be transferred from the Office of Special Programs to a new Office of Business Development. Our concern here lies in the real possibility that the Veteran Office will lose its identity and visibility and will have a more difficult time in coordinating with other necessary SBA programs.

The time is once again to get the SBA's veteran program moving forward. Mr. Chairman, AMVETS is one veterans organization which stands ready to assist and support the SBA's veteran efforts,

but we cannot do so unless we know what those efforts are and what direction the SBA's veterans program is heading.

Thank you.

[The prepared statement of Mr. Bourie follows:]

STATEMENT OF
JAMES G. BOURIE
NATIONAL SERVICE DIRECTOR - AMVETS

Mr. Chairman, and members of this Committee, AMVETS is pleased to present its views on the Small Business Administration's veteran programs.

AMVETS first wishes to commend this Committee, and you Mr Chairman, for taking an active role in the veteran programs of the SBA. The leadership shown is indeed encouraging, and we urge the Committee to hold regular oversight hearings on this subject in the future.

Mr. Chairman, we all are aware that the economic backbone of this nation is small business. During the recent economic recession large businesses showed little or no growth, yet small businesses made dramatic increases. The amount of annual small business start-ups in this country is staggering. Many states and cities now have special small business offices and programs to aid in the completion of necessary forms, licenses as well as small business development. We are indeed a nation of small business.

It is unknown how many new small businesses or existing ones are owned by veterans; however, we can safely assume a good portion. We would not be at all surprised since military service instills in one a sense of mission, discipline, teamwork, responsibility and other positive attributes necessary for a successful business. Veterans of the World War and Korean Eras by now are in business for themselves or have made the decision not to go into business. However, veterans of the Vietnam Era are

at the prime age of business ownership. Many have a clear plan of their business goals, but need the advice, guidance and often financial support that the SBA's veteran program offers.

It is not too difficult for us to recite the brief history of the SBA's veteran program. Simply, there was no program prior to 1980. Yet we can trace veteran business interest back to 1964 when, at the urging of the veteran community, the administrator issued a directive that Vietnam veterans were to receive program "priority". However, nothing of substance was done. Years of frustration led the veteran community to seek the help of Congress which included "special consideration" for veterans in the Small Business Act of 1974 (P.L. 93-237). That phrase still provides the groundwork and mandate, for the agency's veteran program. It is interesting to note that "special consideration" was never fully defined by Congress, or the agency. Consequently, the agency did what it knew best as far as a veteran program was concerned - nothing.

This was the situation until 1981, when at a House Veterans Affairs Committee oversight hearing, it was recommended that the SBA form a 90 day Veteran Task Force to review veteran involvement in agency programs. The SBA agreed to this task force and invited veteran organizations as well as agency program chiefs to serve as representatives. The current Administrator, Jim Sanders, headed up one task force subcommittee. In time, the several subcommittees made their recommendations: clear

veteran program goals/objectives; veteran PR campaign; a veteran handbook; regulations defining "special consideration"; veteran workshops; finance and management assistance; designation of field Veterans Affairs Officers and importantly, the creation of a National Veterans Affairs Office to coordinate and direct all veteran activities and programs.

Mr. Chairman, the progress of the SBA's veteran program owes in great measure its success to a handful of officials: Jim Sanders, Marshal Parker, Frank Swain, the late Steve Mollet and others who moved the program ahead in the face of often stiff internal agency resistance. These individuals made a sincere, honest and personal commitment to establish a responsive program. For their efforts, AMVETS is grateful.

In a remarkably short period of time, the SBA's veteran program made a 180 degree turn: Veteran Affairs Officers at field stations were designated; a handbook was published; a PR campaign was initiated; veteran workshops were held, and much more. Statistics for that period showed 32 major Veteran Small Business and Networking Conferences (with a total of 10,000 attendees); 80,000 veterans counseled; and in 1980 veterans received 12 percent of all loan dollars. However, that figure over the years grew considerably: 1982, 22 percent and in 1983, 24 percent. In FY 84 all loans to veterans were approximately \$550 million, with Vietnam Era Veterans receiving \$312 million of that amount. The SBA further required that veterans receive first priority in processing

and funding of loan applications and otherwise gave priority in Surety Bonds, Procurement and other areas.

Meanwhile, the original Veteran Task Force was officially extended beyond its term and had, instead, become a chartered Veteran Advisory Committee. Also, the administrator issued a directive stating his support and commitment to the veteran program and went on to further identify certain veteran initiatives that were to be taken immediately.

Mr. Chairman, recent veteran program figures provide more evidence of the gains made by the agency's veteran programs: for FY 85, 27 percent of all loans were made to veterans. Significantly, veteran default rates were, we believe, below the agency average - 6.27 percent for direct loans and 1.74 percent for guaranteed loans. Much better even than some commercial lending institutions. These figures lend further credence to the fact that veterans indeed made good credit risks.

Further, between 13-15,000 veterans attended special workshops, over 100,000 veterans were counseled; Veterans' Affairs Officers were trained; specific veterans-in-business research grants/contracts were made and more.

On a parallel matter, the integrated special \$25 million lending program established by P.L. 97-72 for Vietnam Era and disabled veterans has had unfortunately modest success because, we believe,

of the availability of established veteran initiatives.

It must be emphasized that while veteran lending rates provide a fair measure of the success or failure of the veteran program, we should not be misled into believing that they are the only yardstick. It has been our experience that veteran business owners and entrepreneurs seek SBA assistance in accounting, marketing, management and many other areas. We cannot, therefore, focus in on just lending rates, but must look at all SBA programs and policies towards veterans.

Undoubtedly, the SBA's veteran program has made considerable progress since 1980, but now we find that little progress has been made in the past several months. This stagnation may have been due in part to the Administration's attempt to eliminate the SBA earlier this year. All program progress came to a sudden halt with agency morale dropping drastically while Congress debated the agency's future. No program head was willing to commit resources to what may be a lost cause. Interestingly enough, during this period, veterans were told at some field offices that there was no veteran program. One positive development, however, was the creation of a National Veterans Advisory Committee composed of major veteran organizations, representatives of the Department of Labor, Department of Defense, VA, key agency program heads and the banking community. Further, Veterans Business Resource Councils seemed to get a small foothold in a few communities. Indeed, VBRC's are an excellent mechanism

for the small business and veteran communities to come together, free of the SBA, to decide local veteran small business needs, programs and activities. AMVETS supports the creation of VBRC's and applauds Senator Rockefeller's initiative in S.408 that encourages more Councils nationwide.

Mr. Chairman, while we mentioned earlier that the SBA's veteran program is now stagnant, we are also uncomfortable with certain recent events and developments.

For example, veteran lending rates have fallen off to 24 percent; there is still no up-dated veteran handbook for distribution, and veteran program regulations are still yet to be published in 13 CFR Part 116. Also, there have been no veteran workshops. Significantly, the Veterans Affairs Office is without a permanent program chief, only an acting head, Leon Bechet, who has done a good job under difficult circumstances. It is our understanding that that office should be staffed by four professionals, but there are only three. One has responsibility for veteran activities west of the Mississippi River, the other takes all activities east of the river. A remarkable task to respond and direct all field operations pertaining to veterans.

We are also concerned with the veterans' office program funding. We believe that if Congress failed to annually appropriate the necessary \$1.5 million for veterans activities, the agency just may not do so itself. This last funding round caused some deep

concern in the veteran community as only veteran office salaries and expenses were used with the remaining \$1 million "held" for unknown reasons. We have been notified, however, that the agency does indeed have \$1 million available for veteran programs.

To further complicate veteran initiatives, the veteran office will be transferred from the Office of Special Programs to a new Office of Business Development. Our concern here lies in the real possibility that the veteran office will lose its identity and visibility and would have a more difficult time coordinating with other necessary programs.

Mr. Chairman, we strongly feel that the SBA's veteran program is now adrift without direction and that the vital impetus that made it successful in the past has now dissipated. It would appear, for whatever reasons, that the veteran program is at the mercy of both friendly and unfriendly factions-being pulled in many directions and going nowhere.

The time has come once again to get the SBA's veteran program moving forward. After coming so far we cannot, will not, retreat to the dark days of empty promises and broken commitments. New ground has been broken and new challenges have arisen and the SBA's veteran program must be up for those challenges. Meeting those challenges in our view will necessitate, as a start, that the following steps be taken now: appointment of a veteran office program chief; the addition of a fourth veteran office

professional staff; development and implementation of clear goals/objectives; the availability of the veteran handbook; veteran program regulations; a PR campaign; continuation of veteran services; VAO training and the swift commitment of the \$1 million in appropriations.

Mr. Chairman, AMVETS is one veterans organization which stands ready to assist and support the SBA's veteran efforts, but we cannot unless we know those efforts are and in what direction we are heading.

Senator KERRY. Thank you very much, Mr. Bourie.

Mr. Weidman.

Mr. WEIDMAN. Thank you, Mr. Chairman.

Our chairman of our national economic affairs committee, Mr. John Messmore, who is chief executive officer of a business in Akron, OH, will deliver our brief summation, and I will be available for questions.

Senator KERRY. Thank you. Mr. Messmore.

STATEMENT OF JOHN M. MESSMORE, CHAIRMAN, NATIONAL ECONOMIC AFFAIRS COMMITTEE, VIETNAM VETERANS OF AMERICA, ACCOMPANIED BY RICHARD WEIDMAN, DIRECTOR OF GOVERNMENT RELATIONS

Mr. MESSMORE. Thank you, Mr. Chairman.

Vietnam Veterans of America appreciates this opportunity to give this testimony.

In essence, we would agree with a lot of the testimony that has been given. In fact, it appeared that the SBA had a great deal of momentum in their program, and we feel that this has slacked off for whatever reason. Some of the reasons that we feel are pertinent to this lack of momentum include no training for the veterans affairs officers in the SBA since December of 1983. In fact, with the turnover rate that Senator Rockefeller discussed, we understand there are approximately 37 district VAO's who have currently not attended any training sessions.

Another is the fact that there is not a permanent Director of the Office of Veterans Affairs and that the OVA continues to operate with only three of four authorized professional staff persons. Also, in fiscal year 1985 direct loans actually dropped for the first time since 1981 and that only a third of the \$25 million available to Vietnam-era veterans was spent.

Our national office has taken a lot of phone calls recently dealing mostly with the unresponsive nature of the district office which your investigation has revealed.

All of these things point to the fact that the momentum has been lost. VVA clearly understands that Administrator Sanders and

Marshall Parker are indeed sincere in their efforts and want to see this proceed and are working in that direction, but for whatever reasons, the momentum has been lost.

VVA would make the following recommendations:

That SBA prepare and implement a specific business plan with specific timetables to fully implement special consideration for veterans in all SBA and SBA sponsored programs. This would go well beyond the interface blueprint that is their current base planning document.

Second, that the SBA be requested to publish proposed revisions to part 116 of CFR, SBA regulations, within 30 days.

Third, that the SBA implement all elements of the Administrator's policy statement of May 14, 1982, within 60 days and report back to this committee on how this has been accomplished.

Four, that the SBA create a full-time VAO position in at least each regional office in addition to an active and fully functioning VAO in each district office. We understand it has been indicated that this has been accomplished. However, it is a collateral type of position and we are not sure that is being truly effective.

Five, that all VAO's receive extensive and substantive training at least once per year, beginning within the next 90 days.

Six, that each district office be required to have a functioning Veterans Business Resource Council no later than September 30, 1986.

Seven, that the National Advisory Committee on Veterans Business Affairs be made a permanent body.

Eight, that all 31 of the recommendations made in the Pechin report be implemented with all due and deliberate speed. Further, we recommend that these be written into the business-implementation plan in our first recommendation.

Nine, that SBA conduct a 2-hour training program for all SBA employees in the basics of the SBA's veteran program so that it can meet its responsibility in regard to special consideration for veterans.

Finally, that within the next 60 days, the SBA move to appoint a permanent Director of the Veterans Affairs Office.

Mr. Chairman, this concludes our statement. We thank you for this opportunity.

[The prepared statement of Mr. Messmore follows:]

STATEMENT OF JOHN M. MESSMORE, CHAIRMAN, NATIONAL ECONOMIC AFFAIRS
COMMITTEE, VIETNAM VETERANS OF AMERICA

Good morning, Mr. Chairman. Vietnam Veterans of America (VVA) wishes to thank you for the opportunity to appear here this morning. My name is John Messmore. I am a small businessman from Ohio, and also I serve as Chairman of the National Economic Affairs Committee of Vietnam Veterans of America, which is a voluntary service position. I am Vice President and Chief Executive Officer of "Messmore Testing and Supervision," a family owned business in Akron, which I operate with my father. We do soil testing and survey work, analyzing potential construction sites. My company grossed \$400,000 last year. We employ sixteen persons. I have been engaged in this line of business since returning from Vietnam, where I served as a field engineer. I am fortunate in that I really did get a start on learning marketable skills during my time in Vietnam. I also learned that no matter how tough the construction business can sometimes get to be in Ohio, it is a lot easier to do this work with no one shooting at you. In addition to valuable specific skills, this perspective has helped me to persevere during the difficult times.

Accompanying me here this morning is Richard Weidman, who serves Vietnam Veterans of America as Director of Government Relations, on our National Staff. He also currently serves as VA's representative on the SBA National Advisory Committee on Veterans Business Affairs, and has served as VVA's principal liaison to the SBA at the National level since 1981.

Mr. Chairman, Vietnam Veterans of America has divided our statement into several sections. First, we shall present a bit of the historical perspective. Second, we shall present our perspective on the history of the veterans' programs at the Small Business Administration since January of 1981. Third, we will present VVA's assessment of the current status of "special consideration" for veterans at SBA offices and SBA sponsored facilities around the country. Lastly, Mr. Chairman, VVA will present some recommendations for your consideration.

I. BACKGROUND

In 1944, the Congress enacted a comprehensive series of legislative acts that has come to be known as the "GI Bill of Rights." The basic twin theses that underpinned this legislation were: (a) that citizens who have served their country as soldiers in time of danger should not be lessened by that service and sacrifice; and, (b) that those soon-to-be-civilians were a tremendous potential resource to the Nation, with only a minimal investment in the development of this resource. Our National leaders at the time had the vision and the sagacity to know a good investment when they saw one, and staked America's future on those youngsters returning from such strangely named places as Normandy, Burma, Iwo Jima, and Okinawa, and a war unlike any ever before. This investment was made to the chagrin of not a few of those who had served in the "Great War", and who did not quite understand these impatient and undisciplined upstart World War II veterans and their passion for such unconventional and outlandish things as the music of Frank Sinatra.

This investment in educating these young man and women, and in providing the capital for home loans and business loans, was the smartest investment decision this country ever made. Those newly educated young veterans led America to an unprecedented period of prosperity. Those loans, coupled with that Federally financed knowledge of how to effectively use that financial capital, fueled the economy on a fast track for twenty five years.

Unfortunately, all of this was so successful that the Nation began to remember the "good old days that never were," and re-write history to conform with "pseudo-capitalist" mythology. In fact, as any good capitalist will tell you, one has to invest financial, physical, and people resources in order to create wealth in this world. One must provide water, proper equipment, and people with the knowledge and will to use that water and technology, through adversity, if one would have the desert bloom. Or, for that matter, build a successful business in Akron, Ohio as the cessation of tire manufacturing threatened to turn that area of northeast Ohio into a "rust bowl" desert. The successful Nation forgot the lesson that one has to invest in its sons and daughters, who were returning in the late 1960's and early 1970's, from yet another war unlike any America had seen, from such strange places as DaNang, and Dong Ha, and Pleiku. This Vietnam bunch was to the fans of "Sir Francis" Sinatra, a seemingly undisciplined and impatient bunch who exhibited a passion for such unconventional and outlandish things as the music of "Three Dog Night" and Nancy Sinatra. And so, the opportunity for another watershed investment in a new generation of veterans to reinvent and reinvigorate the American economy, in a major and comprehensive way, went by the boards.

There was some spot test investment in this new generation, but it came late, and piecemeal, unlike the investment in our parents. By 1974, the GI Bill was fairly adequate (although not comparable to WWII benefits), and the Congress, thanks to Austin Kirby of The American Legion, enacted Public Law 93-237, which mandated the Small Business Administration to provide "special consideration" for veterans in all its programs. Unfortunately, the Congress, did not define what "special consideration" actually meant in practice. What ensued was over six years of sound and fury, back and forth between the SBA and the veterans organization, signifying nothing of consequence, as to what the Congress meant by "special consideration." At the 1980 White House Conference on Small Business, an eclectic group of veterans emerged, and some of the concerns of Vietnam and disabled veterans who were entrepreneurs, or would be entrepreneurs surfaced in a public way. The real turning point was the almost accidental set of circumstances that resulted in the funding of "The Pechin Report." It is not an overstatement to say that everything of merit that has happened in regard to veterans at the SBA in the last five years is directly traceable to "The Pechin Report." Because it is such a seminal document,

we ask that sections of this report (as noted in Appendix V of this statement) be included in the record of this hearing.

II. THE REAGAN RECORD

In the Autumn of 1981, thanks to the efforts of Mr. James G. Bourie, then Director of Economics of the American Legion, the "SBA Administrator's Task Force on 'Special Consideration' for Veterans," was formed. This "Task Force," initially under the leadership of the Honorable Frank Swain, Special Counsel for Advocacy at SBA, and subsequently under the leadership of Mr. Marshall Parker, Associate Deputy Administrator for Special Programs at SBA, finally gave some practical shape and form to "special consideration." Mr. Parker succeeded in leading all parties out of their entrenched positions where they would fire increasingly empty slogans at one another, toward realistic positions that made sense and could be implemented. The work of the "Task Force" culminated in the "Administrator's Policy Statement" signed by the Hon. James C. Sanders on May 14, 1982, which finally implemented P.L. 93-237, eight years after passage by the Congress.

The SBA proceeded to plan a series of "pilot projects" for FY '83, created a permanent Office of Veterans Affairs, designated Veterans Affairs Officers (VAO's) in each SBA facility, let contracts for studies of veteran entrepreneurs, trained those VAO's, expanded the "Veterans' Networking and Business Training Conferences" to over thirty locations, and generally made progress toward making "special consideration" a reality, (although this progress tended to be in sporadic bursts of intense activity, as opposed to steady and consistent progress systemwide). One measure of the success of the policy of getting veterans, especially Vietnam and disabled veterans, good information and training, was the dramatic rise in the amount and percentage of SBA direct and guaranteed loans going to veterans. The percentage jumped from 12% of all SBA sponsored loans going to veterans in FY '81 to almost 27% in FY '84, with no relaxation of the properly stringent loan requirements. There was a sense of vital mission, a sense of urgency, and of progress toward a set of goals that was in the National interest, and not just the narrow interests of a few, that pervaded the veterans programs. For this reason, the major veterans service organizations, including VVA, entered into what was essentially a public/private partnership to make up for lost time, to essentially provide the opportunity for veterans to acquire access to the "water and know-how to make the desert bloom."

The credit for this real and substantive progress during the period FY '82 to FY '84 is due to the overall positive leadership of Administrator Sanders who made it possible, the specific leadership of Mr. Marshall Parker and the late first Director of the Office of Veterans Affairs Steve Mollett, and the steady hard work of Mr. Leon Bechet and many other dedicated SBA employees across the country.

Unfortunately, events conspired in such a way in late FY '84 that we lost that sense of urgent mission and positive momentum. Steve Mollett became ill with what sadly proved to be terminal cancer. Mr. Mollett, a Vietnam veteran, was interred with full military honors in Arlington National Cemetery in February of this year. Secondly, as you and this Committee are painfully aware, Mr. Chairman, David Stockman and other assorted Wall Streeters and "sons of privilege without responsibility" decided to try and disband SBA. Their plan was to dismantle SBA and transfer all "essential functions" to the Department of Commerce. Predictably, Vietnam and disabled veterans were not on Stockman's list of essential functions. VVA extends our deepest gratitude to you, Mr. Chairman, to your distinguished colleagues on this Committee, and others, for your tenacious efforts in preserving the SBA.

Understandably, the Office of Management and Budget assault on the SBA took a major toll on morale at SBA, and diverted energy and attention away from vital programs, including the nascent effort to make "special consideration" for veterans a reality.

III. THE CURRENT SITUATION

Mr. Chairman, it is the view of Vietnam Veterans of America that the veterans program at SBA is valuable and worth saving. In FY '85, about 24% of all SBA direct and guaranteed loans went to veterans. The SBA counselled over 40,000 veterans in FY '85, with about 12,000 receiving counseling via the Small Business Development Centers (SBDCs). Also in FY '85, almost 95,000 veterans received training in needed business skills, about 35,000 via the SBDCs. This is a worthwhile and generally positive record. However, VVA is concerned with the loss of momentum of progress. Specific facts that VVA would cite for this contention include, but are not limited to:

(a) There has been no training for Veterans Affairs Officers at SBA since December of 1983.

(b) Complaints to the VVA National Office about lack of responsiveness (or even basic knowledge) of the veteran's program(s) by SBA employees to veterans has risen dramatically in the past six to eight months.

(c) The fact that there has been no permanent Director of the Office of Veterans Affairs (OVA) for over a year.

(d) The fact that the OVA continues to operate with only three professional staff persons when they are authorized four full time employees.

(e) The fact that the percentage of total SBA loans to veterans in FY '85 dropped for the first time since FY 1981.

(f) The fact that SBA has been unable to spend the (very minimal) funds appropriated specifically for veterans in FY '84 and FY '85 as the Congress intended.

(g) The fact that it has been 3½ years since the Administrator ordered revision to Part 116 of SBA Regulations, and no such proposed regulations have been published in the Federal Register, despite numerous inquiries and recommendations to move ahead with alacrity.

(h) The lack of a clear plan, with specific measurable goals and timetables, for implementation of "special consideration" in all SBA and SBA sponsored programs. VVA is confident that the expertise exists within the SBA to formulate and implement a realistic business plan.

While there are numerous other specifics that VVA could cite, the basic points here is that SBA must re-establish momentum in this effort. The need is clear. The veterans have the will and the tenacity. The SBA has the capital, and even more importantly the expertise in basic business skills that veterans, especially Vietnam and disabled veterans, need. The determined application of the existing expertise within SBA, and the concrete manifestation of the basic commitment to veterans on the part of top SBA leadership is needed. Much progress has been made in the past three years, but much remains to be done.

IV. RECOMMENDATIONS

Mr. Chairman Vietnam Veterans of America has a number of specific suggestions for your consideration.

1. That SBA prepare and implement a specific business plan to fully implement "special consideration" for veterans in all SBA and SBA sponsored programs, with specific timetables. This would go well beyond the "Interface Blueprint" that is their current base planning document, both in extent and in specifically. Further, that SBA report to this committee on a quarterly basis as to progress in implementation.

2. That SBA be requested to publish proposed revision to Part 116 of CFR, SBA Regulations, within thirty days.

3. That SBA implement all elements of the Administrator's Policy Statement of May 14, 1982 within 60 days, and report back to this Committee on how this has been accomplished.

4. That SBA create a full time VAO position in at least each Regional Office, in addition to an active and fully functioning VAO in each District Office and Outpost.

5. That all VAOs receive extensive and substantive training at least once per year, beginning within the next 90 days.

6. That each District Office be required to have a functioning Veterans Business Resource Council (VBRC) not later than 30 September 1986, and a monthly series of small to medium sized "hands-on" conferences specifically for veterans.

7. That the "National Advisory Committee on Veterans Business Affairs" be made a permanent body.

8. That the thirty-one of the Recommendations made in "The Pechin Report" be implemented, with all due and deliberate speed. Further, VVA recommends these be written into the implementation/business plan outlined in Suggestion No. 1 above.

9. That SBA conduct a two-hour training program for all SBA employees in the basics of the SBA's program to meet it's responsibilities in regard to "special consideration" for veterans.

10. That SBA move within 60 days to appoint a permanent Director of the Office of Veterans Affairs, and to fully staff the office (4 professional, one administrative person, and three clerical persons.) Further, that SBA begin to move to create and strengthen lines of authority from the National OVA through the Regional VAO to the District VAO.

Mr. Chairman, that concludes our statement. Vietnam Veterans of America again wishes to thank you and your distinguished colleagues for allowing us to present our views here today. VVA also wishes to express our appreciation and admiration for the steadfast leadership you have shown in preserving the SBA as a vital resource for America's Vietnam and disabled veterans who are present or potential small business owners.

ATTACHMENTS

Appendix I: "VVA Service Representatives Manual" by Keith D. Snyder, Richard E. O'Dell, and David F. Addlestone: VVA Claims Services; 1983; Section 7.7: "Small Business Administration."

Appendix II: "Steve Mollett," editorial in "The Stars and Stripes; Thursday, February 28, 1985.

Appendix III: "A 'Rathole' as a Window of Opportunity"; editorial in "The Stars and Stripes"; Thursday, May 16, 1985.

Appendix IV: Letter from Robert S. Bishop, President of the Tri-State Veterans Business Resource Council in Western Pennsylvania.

Appendix V: "The Pechin Report" (officially known as the Final Report of the SBA Veterans Project, in fulfillment of Contract No. SBA-4869-ADA/p. 80, as reprinted in pp. 110 through 120, and pp. 168 through 316, of Senate Document 70-323 0; U.S. Government Printing Office, dated August 26, 1980.

VVA

**SERVICE
REPRESENTATIVES
MANUAL**



Guide to Veterans Claims

by
**Keith D. Snyder
Richard E. O'Dell
David F. Addlestone**

Published by: VVA Claims Service

NOTE: Supplements to this Manual will contain more on this issue.

7.7 SMALL BUSINESS ADMINISTRATION

7.7.1 General

The U. S. Small Business Administration (SBA) is a small, independent Federal agency created by Congress in 1953 to assist, counsel, and advocate the cause of small business with other Federal agencies, with Congress and with financial education, professional and trade institutions and associations.

SBA is also supposed to provide prospective, new, and established persons engaged in small business with financial assistance, management counseling, and training. They are also supposed to help small firms get their fair share of government contracts. The agency has about 3,800 permanent employees in about 100 offices, with at least one office in each state.

There is an Office of Veterans Affairs at the SBA. There is also a "Veterans Affairs Officer" (VAO) designated in each District and Regional Office of the SBA (see Appendix 7B for addresses).

The VAO's are supposed to be knowledgeable in all programs and services offered by SBA, and facilitate delivery of such services to veterans, especially Vietnam era and special disabled veterans. (See Appendix 7E for VAO job description.)

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12. Pub. L. No. 93-112, 29 U.S.C. § 793,.
 13. MSPB Case No. SE07528110174 (1981).

In 1974, Congress amended the Small Business Act[14] and directed the SBA to give "special consideration" to veterans of the Armed Forces in all Agency programs. The Congress did not, however, define what was meant by the term "special consideration." For the next seven years, the veterans organizations and the SBA discussed, argued, and wrangled over what the SBA was and was not doing for veterans, and what the SBA should and should not be doing to give "special consideration" to veterans. In the fall of 1981, the Administrator of the SBA appointed an "Administrator's Task Force on Special Consideration for Veterans," with representatives from the four functional divisions of SBA (Finance, Procurement, Management Assistance and Training, and Administration), the Veterans Service Organizations, Congressional committee staff representatives, and representatives from other appropriate federal agencies (VA, Action, DOL, ACTION, etc.). The purpose of the "Task Force" was to translate the broad term "special consideration" into meaningful programs, regulations, and practices on the part of SBA. The Task Force made its recommendations in the spring of 1982 which resulted in a May 14, 1982 policy statement by Administrator James Sanders that explained that "special consideration" would mean:[15]

- (1) establishing a permanent office of Veterans Business Enterprise;
- (2) issuing rules to clarify that veterans are, in fact, given special consideration within the SBA;
- (3) intensifying management and business training for veterans,
- (4) the regional administrators and district directors are responsible for assuring effective delivery of "special consideration"; and,
- (5) researching participation in SBA programs by veterans to plan policy changes as needed.

SBA provides a variety of services that can be useful to the veteran business owner or potential veteran business owner. They will be as responsive as we in the veterans community make them, if approached correctly, in a nondefensive attitude. The average age when people make the decision to go into business for themselves, or to be employees the rest of their lives, is between 35 and 45 years of age. VVA wants that to be a conscious decision. If someone decides to go into business, we are committed to do everything we can to help them succeed. THE MOST IMPORTANT FACTORS in whether they succeed are their own tenacity and drive, and whether they have the management skills to know what they are doing and how to do it. Key elements are the business plan, marketing plan, variable cash flow analysis, and generally having a firm grip on what you are going to do, how you are going to do it, to whom are you going to sell it, and the flow of money, material, and labor. SBA can and will help in this process, but they are not going to "give" the veteran entrepreneur anything.

14. Pub. L. No. 93-237.

15. See full text of policy statement at Appendix 7F.

VVA also believes that it is important to remember that the majority of jobs created in the United States each year are in firms employing 100 or less, and most of these are in firms employing 20 or less people. If Vietnam veterans open their own firms, they will tend to hire other Vietnam veterans, particularly if they received special help as veterans. In short, VVA believes that a way of having significant impact on unemployment among Vietnam veterans is to help veterans become employers.

For further information contact the National VVA Director of Agency Liaison.[16]

7.7.2 Veterans Business Resource Council

SBA acted to implement five "pilot" programs in FY 83, and plans at least thirty more such management assistance projects in FY 84. These thirty programs will be organized and assisted by the American Association of Community and Junior Colleges (AACJC), which is under contract with SBA. Each SBA office has also been mandated to establish a Veterans Business Resource Council (VBRC) to establish communication and cooperation on a regular basis between the SBA offices and the veterans community. The purpose of the VBRC is to work with the local VAO and the District Office to ensure that proper policies, procedures, and attitudes toward veterans are maintained, on a consistent basis, by all SBA personnel. The VBRC is also designed to develop a volunteer veterans' advisory committee to meet the needs of the veterans in the business community, and to assist in coordination of use of existing public and private resources for veterans in the business community. Each VBRC is eligible for a modest administrative grant from the SBA Office of Veterans Affairs (OVA), to do outreach work to the veterans community. They also may apply for special project funding.

7.7.3 Loans

In fiscal year 1983, more than \$641 million in direct and guaranteed loans were made to veterans by SBA, of which \$292 million went to Vietnam veterans. The interest rates on SBA business loans was 11.5% as of Sept. 30, 1983. Regular business loans usually do not exceed \$350,000 and are made only if financing is not available from other sources on reasonable terms. Essentially, the SBA is a lender of last resort. All veterans must meet SBA standard loan criteria. They must first seek private financing before applying to SBA; show ability to run a business successfully; own and operate at least 51% of the firm; and have enough capital involved to operate on a sound financial basis. SBA loans ARE NOT A VETERAN'S ENTITLEMENT, but veterans should receive priority treatment in processing of loan applications.

Vietnam veterans are those veterans who served for a period of more than 180 days, any part of which was between Aug. 5, 1964, and

16. Richard Weidman, 329 8th St., NE, Washington DC 20002; 202-546-3700 or 800-424-7275.

May 7, 1975, and were discharged under other than dishonorable conditions. Disabled veterans are those veterans with compensable 30% or more disability, or veterans with a disability discharge.

7.7.4 Guaranteed Loans

Most of the SBA's business loans are made by private lenders and then guaranteed by the Agency. Guaranteed loans carry a maximum of \$500,000 and SBA guarantees of the loan can run as high as 90%. Maturity may be up to 25 years. The average size of a guaranteed business loan is \$155,000 and the average maturity is about eight years.

7.7.5 Direct Loans

A few business loans are made directly by SBA, up to a maximum of \$150,000. SBA, under law, cannot consider making a direct loan unless a private lender (usually a bank) refuses to make a loan itself or take part in an SBA guaranteed loan. Veterans should not apply for loans in the private sector with a view to being turned down so they can go to the SBA. If the loan application to the private bank is really badly prepared, it will jeopardize approval of any SBA loan. It must be a sincere effort. Funds authorized for direct loans are limited, but veterans receive priority for access to these loans.

7.7.6 Special Veterans Loans

Pursuant to Pub. L. No. 97-72, \$25 million in direct loan money was appropriated to the SBA. These funds are for disabled and Vietnam-era veterans. The administrative ceiling on these loans is \$150,000. SBA cannot make a direct loan if a guaranteed loan or other credit is available. These funds are designed to augment the regular loan programs. The same criteria are used as in the regular loan programs. This program will remain in effect throughout Fiscal 1984.

7.7.7 Surety Bond Contracts

SBA helps small business contractors secure performance bonding. This service makes it possible for small firms to compete for large jobs, particularly in construction. Veterans received over \$100 million in this program in FY '83, or over 30% of all SBA activity. Above this amount, Vietnam veterans received about \$24 million in contracts, or 7%, for a total veterans' share of 37% of all monies available in this program.

SBA can assist small business to obtain bill, payment, or performance bonds which are otherwise unobtainable without SBA guarantee. Consequently, Congress has authorized SBA to guarantee sureties participating in the Surety Bond Guarantee Program up to 90% of the losses incurred as a result of a principal's breach of the terms of a bid bond, payment bond, or performance bond on any contract not ex-

ceeding \$1 million in face value. It is the surety company that has to apply for the guarantee, not the individual veteran. The veteran can get a list of participating surety underwriter companies from the local SBA office.

7.7.8 Obligation to Repay All Loans

It is extremely important to bear in mind that most people, especially veterans, think of the SBA primarily as a lending institution. Many veterans also labor under the notion that SBA loans are an entitlement. While SBA is a lender of last resort, there has never been a great deal of money available for loans there, and one still must qualify based on strict criteria, including likelihood of ability to be able to repay the loan.

What most Vietnam veterans really need is management assistance and training in the "nuts and bolts" of actually preparing and using a business plan, preparing and using a variable cash flow analysis, and other essential management tools. Working through the VBRC, the SBA-VAO, and with the Management Assistance staff of District and Regional SBA offices, the effort should be to orient veterans to succeeding in business, and not just getting the capital to go into business. It is also important to remember that in order to qualify for an SBA loan, one must first be turned down in the private sector. More often than not, the main reason is lack of collateral and/or equity. If the individual does not have much collateral or equity, the key to getting an SBA loan approved is to have a solid business plan. The SBA Management Assistance people and/or staff of the Small Business Development Center (SBDC) can be of tremendous help to the veteran in preparation of the business plan and other elements of the loan package before it is submitted. The work that is done at this stage is analogous to the work that should be done prior to filing a claim with the VA. If the proper preparation is not done before official filing, it is extremely difficult to rehabilitate the claim or application at a later date. Essentially, what this means is the SBA Veterans Loan Program is designed to make a difference on the margins.

7.7.9 Procurement Assistance

There are approximately 90,000 small firms registered in the computerized SBA Procurement Automated Source System (PASS), of which over 8,000 are businesses owned by Vietnam veterans. Veteran business owners should be urged to register on the PASS, but not passively rely on it to bring them government business. (Complete and return the PASS Company Profile to be entered in this system; use SBA Form 1167 reproduced at Appendix 7G or get one from any SBA District Office.) The veteran should seek out the Federal Procurement Specialist in the SBA District Office for help in preparing bids. Veterans should be urged to consult the Commerce Business Daily on a regular basis, either by subscribing to it or by checking it at their local public library. All government procurement solicitations must, by law, be printed in CBD, and all contracts awarded must, by law, be printed as well. Small firms who want government business should watch for large contracts let in their general area of endeavor and

approach awardees to seek subcontracts. It is also a good idea for them to approach all of the procurement officers in the various federal agencies in their area to indicate their interest in bidding on contracts and/or subcontracts. The emphasis here, as elsewhere in this area, should be on urging the veteran to be active, imaginative, and assertive (but NOT aggressive). Passivity is not rewarded by the free enterprise system. SBA and other resources are there to be used as means and tools toward succeeding in business, but the drive and tenacity must come from the veteran business owner.

7.7.10 8(a) Company Contracts

Veterans may qualify for 8(a) participation on a case-by-case basis. Veterans as a class are not classified as "socially or economically disadvantaged" for 8(a) purposes. However, women and minority veterans should be urged to register for the 8(a) program at their SBA Office. Over \$82 million of government contracts went to the 349 veteran-owned firms registered under this program in FY 1983.

7.7.11 VA and SBA

The Veterans Administration has appointed a "Veterans-In-Business Coordinator" (VIBC) in each of their field offices to work with SBA in referring veterans to the appropriate place for assistance. (See Appendix 7B.) These VIBC's should be helpful in outreach programs to veterans, and in assisting the procurement cultivation activities. These people also sit on the VBRC in their community.

7.7.12 Management Assistance and Training

Statistics show that most small business failures are due to poor management. VVA also believes that most veterans who desire to go into business never actually get started because they lack the management skills to become successfully operational. It is for this reason that VVA has pushed hardest for management assistance and training programs specifically tailored to Vietnam veterans. While we feel that there is a need for special programs, it is important for Vietnam veterans to seek to avail themselves of pre-existing SBA management assistance programs. These include free individual counseling, courses, conferences, workshops, problem clinics, and a wide range of films and publications. (See Resources listed at Appendix 7A.) Counseling is provided by SBA's Management Assistance staff; the Service Corps of Retired Executives (SCORE); its companion organization of active business men and women, the Active Corps of Executives (ACE); and numerous professional associations. SBA is on record as being committed to involve private-sector organizations and institutions in overall management assistance. Once again, however, it is important that veterans groups and individuals be imaginative and assertive in seeking out substantive "hands-on" training in understanding the importance of and the "How To . . ." of preparing and using a business plan, variable cash flow analysis, and other essential management tools. One should seek training sessions through the VBRC, the Chamber of Commerce, the SBA itself, local colleges and universities, their own membership, and anywhere that expertise and

the will to share that expertise exists in your community. The VBRC is a way to access many of these institutions and their expertise that otherwise might well not be generally available to Vietnam veterans.

Small Business Institutes (SBI's) have been organized through SBA on about 500 university and college campuses as another way to help small business. At each SBI, senior and graduate students at schools of business administration, and their faculty advisors, provide on-site management counseling. Students are guided by the faculty advisors and SBA management assistance experts and receive academic credit for their work.

Small Business Development Centers (SBDC's) draw from resources of local, state, and federal government programs, the private sector, and university facilities to provide managerial and technical help, research studies, and other types of specialized assistance of value to small business. These university-based centers provide individual counseling and practical training for small business owners. Some SBDC's are very good and very active, while others are virtually moribund. The local veterans groups need to "sell" the SBDC's, SBI's, and other local institutions on providing training programs specifically tailored to Vietnam and disabled veterans.



THE ONLY NATIONAL VETERANS' NEWSPAPER

Our 108th Year

WASHINGTON, DC, THURSDAY, FEBRUARY 28, 1985

U.S. Edition

Steve Mollett

APPENDIX II - VVA

Working among the filing cabinets of the Federal government and resting under the crosses of Arlington National Cemetery are thousands of unsung heroes. Steve Mollett, National Director of the Office of Veterans Affairs at the Small Business Administration was a remarkable and quiet Federal servant whose ideas and idealism transformed an office needing direction into an agency which gave direction to thousands of skilled but floundering veterans. Last month Steve was interred at Arlington. This month he would have us get back to work on that agenda on which he labored as long as his strength would allow.

From the top to the bottom of the SBA and with the cooperation of other Federal funding and training arms, Steve focused the resources of government upon that multitude of Vietnam and Korean war veterans whose lack of employable skills or ignorance of Federal loan structures left them out in the economic cold. At a time when training funds and loans were being squeezed, Mollett pushed veterans needs far up the priority list. Thousands attended a network of SBA workshops on small business development where veterans found a patient and listening ear in SBA and a wealth of shared skills among their own peers.

As an accomplished songwriter, Steve constantly fine-tuned the governmental system to the particular needs of those thousands of veterans who served with him in Vietnam.

To these men and women, cynical of the easy promises of political leaders, Mollett created a credible program of assistance. In 1984 President Reagan presented to Mollett the Gold Public Service award as SBA Employee of the Year. Such recognition brought hardly a pause in his determined drive for veterans' assistance.

Steve Mollett's monument is in the weekly paychecks formerly jobless vets now earn, in the skills of community service made affordable with SBA help, and most importantly, in the renewed hope brought to veterans' families and neighborhoods when a good and wise public servant follows that simple and risky road which promotes the general welfare of the troops and not just the generals.

President Reagan's new budget proposals spell the death of the Small Business Administration with loan functions transferred for collection to the Department of Commerce whose traditional emphasis on large corporate needs demanded the creation of an SBA years ago.

A small business agenda will never compete successfully with the priorities of multi-national firms in the Commerce Department's budgetary sweepstakes. A strong and vigorous SBA support for the programs which Steve Mollett initiated demands our eagle-eyed and vocal support. *

The Stars and Stripes



The Only National Veterans' Newspaper

ESTABLISHED 1970

WASHINGTON, DC, THURSDAY, 18 MAY 1985

A "Rathole" as a Window of Opportunity

This week's Senate budget freeze preserved a number of Federal agencies destined for Ronald Reagan's budgetary scrapheap. One of the most important initiatives rescued for veterans was the Small Business Administration. The Senate freeze on the SBA death sentence now demands a rapid thaw in this agency where \$1.15 million has been unallocated and unspent for over six months.

What OMB Director David Stockman could not immediately dismantle he could administratively smother. The Stockman budget clampdown has meant that within recent months veterans activity at SBA has been uncharacteristically slow. Last year showed what an unhindered SBA could really do.

In fiscal 1984 over 100,000 vets were involved in the management and counseling programs of the SBA and 15,000 targeted veterans attended special training conferences across the nation. Such efforts by the SBA's Office of Veterans Affairs encouraged thousands of vets to take a major step into that small business sector which was responsible for over 80 percent of the new jobs created last year. Under the leadership of Administrator James Saunders, Marshall Parker and the late Steve Mollett, an eight year controversy over the nature of SBA veterans programs was finally broken. The agency moved to fill a great need with a swiftness which often surprised itself. Then came the Reagan effort to dismantle these programs. Despite the opposition of bankers large and small, the Chamber of Commerce, vets and their organizations the President tried to delete SBA funds.

Other SBA activities were to be spun off to the Commerce Department. Only two initiatives within SBA were to be axed—veterans affairs and women's programs.

"A billion dollar rat-hole" Budget Director Stockman labeled SBA programs. An Administration which raised the budget deficit far higher than any previous Presidency would then use this deficit as an excuse to destroy agencies they disliked. SBA was an easy target. An image that it makes grants disguised as loans primarily to used car dealers, bartenders and rich farmers is a long time SBA burden. A loan default rate over five times its actual figure was claimed by Stockman as a "luxury we can no longer afford."

(over)

The reality was far different. SBA accountability reforms brought veterans defaults on direct and guaranteed loans issued within the past few years down to less than two percent. For veterans the figures show even greater responsibility. Of 133 loans made directly to Vietnam era and disabled vets in FY '83, SBA records show a total loan portfolio of \$8.4 million and a default rate to date of 1.3 percent. Only \$190,000 of this sum was marked as uncollectable. With \$14.1 million in FY '84 loans to vets the default rate was .64 percent.

This thirty month default rate of one percent should not only place veterans high on the SBA's preferred customer list it is also a level of acceptable risk which any commercial bank would be eager to show its board of directors. In FY '84 almost \$700 million, or 20 percent of total SBA direct and guaranteed loans went to veterans with a default rate below one percent.

Yet veterans were the group which the Office of Management of the Budget planned to first remove. Small businesses most often fail because of lousy management. Budget Manager Stockman showed that our biggest business, the Federal government, can also be fundamentally weakened from poor judgement.

Now that the cold hand of administrative death has been removed, the SBA leadership must let its entire system know that the doors are open again for full service to veterans. The Veterans Business Resource Council must be reinvigorated and the SBA's national advisory committee on veterans business affairs must be extended far past its scheduled year's end termination. From the local SBA offices to the Administrator's desk, veterans organizations can again expect a strong response to their need to participate in that system of free enterprise and equal opportunity for which they were called upon to fight. *

THE TRI-STATE VETERANS BUSINESS RESOURCE COUNCIL

From the office of: Robert S. Bishop, 310 Hawthorne Avenue, Greensburg, PA 15601 (412) 832-6413

October 23, 1985

Mr. Richard F. Weidman
VVA
311 4th Street, S.E.
Washington, DC 20003

Dear Mr. Weidman:

In anticipation of your testimony on SBA services to veterans, I am providing information on our experience in Pittsburgh.

We have found the SBA's commitment to be rather superficial. There is no initiation of activities for veterans on their part. Anything that has been accomplished has been as a result of pressure from the Office of Advocacy, or the Veterans Business Resource Council.

The working relationship between the VA and SBA has improved dramatically as a result of technical assistance and oversight by the VBRC in the last two years.

The VAO in the SBA District Office is an additional duty responsibility. Our new VAO, who was appointed two months ago, was not even given a copy of the VAO Handbook.

There is no mechanism in place to identify veterans in the initial phone intake process. This has caused tremendous problems. Veterans who call the SBA District Office are told by the receptionist that there is no direct loan money available, when they know from talking to us, or the VA, that there is a set aside program. The SBA seems to project a cavalier attitude to the needs of this particular target group. I'm sure it is not their intent, and it is something that a standard procedure could correct.

Training for VAO's, District Directors, and receptionists, should be instituted by the Office of Advocacy.

It is my understanding that the SBA is critically underspent in their outreach/public information campaign. Should they be interested in contracting for an outreach effort, VBRC's would be a useful tool.

Sincerely,

Robert S. Bishop
Robert S. Bishop
President

Senator KERRY. We thank you for those recommendations.
Mr. Hartin.

**STATEMENT OF THOMAS E. HARTIN, DALLAS VIETNAM
VETERANS LEADERSHIP PROGRAM, INC.**

Mr. HARTIN. Thank you, Mr. Chairman and Senator Rockefeller. My name is Tom Hartin. I am president of the National Veterans Leadership Program, chairman of the Dallas Vietnam Veterans Leadership Program, chairman of the Dallas-Fort Worth Veterans Business Council. As a veteran and businessman in the Dallas area, it is an honor for me to speak here today.

I will cover very quickly some of the statements already made previously, because they are all pertinent points, and I will move quickly.

First of all, it was a bold move in 1982 when Mr. Sanders, SBA Administrator, using the task force recommendations, established in writing the administration's definition of "special consideration." This definition gives criteria by which their efforts can begin to be judged.

Having worked closely with the SBA at district, regional, and national levels for the last few years, it is apparent to me that it is absolutely essential that a permanent appointment be made to fill the position of national Director of the Office of Veterans Affairs at SBA. Too much time has passed.

It also appears that the personnel in the field are given too many collateral duties and that they only have so many hours in the work day. The veterans affairs officers do not seem to have sufficient time to fulfill their duties because veterans duties are added to an already full schedule.

It is my opinion that SBA sponsored or cosponsored seminars and franchise shows can be very beneficial in dealing with the needs of veterans. It is my opinion that the necessary energy is available in the private sector to help with these seminars, but that they need seed money to offset overhead costs and that should come from the SBA. We have done this in Dallas. We know it is successful. They did it throughout the country over a year ago.

One of the hardest things in assisting veterans is, I am sure you know, getting the word out to them to let them know the programs are available, our Vietnam veterans in particular. They are really still today hard to reach in many cases and money should be made available for advertising purposes to let all the veterans in the communities know, when they are available, that they are available.

In the last year, there were approximately a dozen studies funded by the SBA, primarily having to do with the Vietnam veterans. The findings of those studies should be published and available in the field. There was also to be a veterans handbook updated and published that was to contain veterans services. That is obviously very important and needs to be done immediately.

As an advocate for my fellow Vietnam veterans, I should also state that many of the characteristics of military service and especially combat make veterans excellent candidates to own and operate their own businesses. Because of their service to their country,

many got a late start in achieving many of their goals. Through the special considerations mandate of Public Law 93-237, every effort should continue to be made by the SBA to see that our veterans receive all that they deserve in services.

Thank you, sir.

[The prepared statement of Mr. Hartin follows:]

STATEMENT OF
THOMAS E. HARTIN
BEFORE THE
COMMITTEE ON SMALL BUSINESS

RE: Oversight of Veterans Programs - Small Business Administration (SBA)

Mr. Chairman, as President of the National Veterans Leadership Program, Chairman of the Dallas Vietnam Veterans Leadership Program, Chairman of the Dallas - Fort Worth Veterans Business Council and as a veteran and businessman in the Dallas area, it is an honor for me to speak today.

First of all it was a bold move in 1982 when James Sanders, SBA Administrator, using the Task Forces recommendation, established in writing the Administration's definition of "Special Consideration" to veterans of the Armed Forces, particularly those of the Vietnam era and the handicapped veteran. This definition gives criteria by which their efforts can begin to be judged.

Having worked closely with the SBA at District, Regional and National levels for the last few years it is apparent to me that it is absolutely essential that a permanent appointment be made to fill the position of National Director of The Office of Veterans' Affairs at the SBA. Too much time has passed without a permanent placement.

It also appears that the personnel in the field are given too many extra duties and they only have so many hours in the work day. The Veterans' Affairs Officers do not seem to have sufficient time to fulfill their duties because veterans duties are added to an already full schedule.

It is my opinion that SBA sponsored or co-sponsored seminars and franchise shows can be very beneficial in dealing with the needs of veterans. It is my opinion that the necessary energy is available in the private sector to help with these seminars, but that the seed money to offset overhead costs should come from the SBA. One of the hardest things in assisting veterans is getting the word out to them to let them know programs are available. The money spent in this manner would be very cost-effective.

In the last year there were approximately a dozen studies (primarily concerning Vietnam Veterans) funded by the SBA. The findings of those studies should be published and available in the field. There was also to be a Veterans' Handbook updated and published that was to contain veterans' services. That should be available in the field. Whenever specific amounts of money is allocated for veterans loans, every effort should be made to see that this money gets in the hands of qualified veterans.

As an advocate for my fellow Vietnam Veteran, I should also state that many of the characteristics of military service and especially combat, make veterans excellent candidates to own and operate their own businesses. Because of their service to their country many got a late start in achieving many of their goals. Through the "special considerations" mandate of P.L. 93-237 every effort should continue to be made by the SBA to see that our veterans receive all that they deserve in services.

Thank you for your time.

Senator KERRY. Thank you, gentlemen. I appreciate it, and I thank you also for your excellent ability to summarize as rapidly as you did.

Senator Rockefeller.

Senator ROCKEFELLER. Let me ask just one question, Mr. Chairman, of any of these gentlemen.

The decline from 1984 to 1985 in the usage of the \$25 million in direct loans for veterans is something I don't understand. I asked our former witness how it could go from \$19 million out of \$25 million down to \$8.5 million out of \$25 million, and the answer was that we never deny anybody anything. But in one year to another, that is a dramatic change and this business of not denying loans to veterans who applied is either real or unreal. Sometimes that is an excuse that country clubs use when you ask why there isn't any black membership and they say nobody has ever applied.

There is something not quite credible about that. On the other hand, Mr. Parker has said that nobody who has applied has been denied. Do you all have the sense that that is true or untrue?

Mr. BOURIE. Let me just offer these comments. Disabled veterans are very special in any group. To reach out to them takes, in my view, the role of organizations like the Disabled American Veterans and the Paralyzed Veterans of America, one or two groups who can specially focus on getting the word out to the disabled veterans who include the Blinded Veterans of America.

The issue in my mind is, Have they done enough with those special disabled veteran advocacy groups to get the word out to the members and other disabled veterans to include the VA? I don't have any knowledge of what the SBA is doing in those special circumstances.

Mr. WEIDMAN. If I may, Senator, the \$25 million, if I could give a little historical perspective on when 97-72 was introduced by Congressman Daschle and a deal essentially was cut where they wanted to give the \$25 million to the VA. The VA was not prepared to deal with that \$25 million, and it was appropriated and given to the SBA. Subsequently, in terms of authorization, the Congress caught up with itself and placed it in SBA where perhaps it should have been to begin with.

The stance of our organization, Vietnam Veterans of America, and joined by our colleagues in the other veterans organizations was, do not shunt Vietnam and disabled veterans off only to that \$25 million which is peanuts on a national scale. It is important. It is useful to some folks, but it is much smaller than the larger pie, if you will, of direct funds that were available to any citizen.

What we had urged Mr. Parker and Mr. Mollett at that time was to use the \$25 million essentially as supplemental funds on a quarterly basis for district offices that had exhausted the general direct funds, because the criteria in terms of measuring whether or not this particular individual was qualified to receive a loan remained the same whether it was the \$25 million fund specifically for disabled and Vietnam veterans or the larger fund. And that is the way in which it was used in fiscal year 1984, and most of the moneys were in fact let and in areas where they were most needed, where the general direct funds were not available for Vietnam veterans who were otherwise qualified.

It is an indicator, I might suggest, Senator, that the momentum of the program has diminished within the last year. Now, I think that veterans particularly are sensitive to the fact that when you are getting overrun, you are not worried about talking to the morale officer about the day room, and I think that in a very large and real sense, Mr. Stockman and his merry band at OMB were trying to overrun the SBA and put them out of business.

The veterans community, I would point out, has swung in strongly behind the effort on the part of this committee and particularly Chairman Weicker and Mr. Bumpers in terms of trying to save the Small Business Administration and that they could be yet more responsive. So, we understand some of the problems that they have gone through over there.

At the same time, there is a sense of time running away from us. I know time is running away from us at this hearing, too, but time is running away from us.

Our average age is 39. For a lot of guys, we didn't really start coming home until the dedication of the Vietnam Veterans Memorial in 1982. There are a lot of folks out there—and I am talking about perhaps a majority of Vietnam veterans—who feel that only now since 1982 are they really starting to make it. They are looking at their lives. They are trying to make up for 10 or 15 years. It wasn't just the time that we spent in Vietnam in combat that was lost. There was the time after we came home because the country did not want us.

People ask, why 10 years after are we coming to a point of still talking about readjustment of Vietnam veterans? Webster's defines readjustment as to bring into proper perspective. It is only now that Vietnam veterans are trying to get in a proper perspective as

the leaders of our generation. We will make it. We are not asking for a handout from the SBA. All we are asking is for full cooperation and to unlock the door, if you will.

Senator ROCKEFELLER. Would you all indicate that it is more difficult for Vietnam veterans to obtain a job in the first instance than it is for the veterans population as a whole? Are you also saying is that it is more difficult for Vietnam veteran to continue to hold a job—for the variety of pressures, internal and external—and that, therefore, the need for that outreach and constant attention is much greater?

There are many other reasons that the training and the VAO has to really work.

Mr. BOURIE. I think that is a fair assessment. Unfortunately, the SBA does not maintain statistics on how many disabled veterans receive loans. It would be interested to see the breakdown on the percentage of disability to get a better handle on loans to disabled veterans, both direct and guaranteed.

Yes; many of us in the veterans community here in Washington have always been pushing that education and sensitivity for those Federal employees who come into direct contact with Vietnam veterans. There are some excellent training films available. The VA through the readjustment counseling service has some excellent trainers who would be happy to go out and talk to Federal employees on dealing with Vietnam veterans. These tools are available. There is no doubt about that, but taking advantage of them is another matter entirely.

Senator KERRY. Thank you, Senator Rockefeller.

We are going to have to go vote in a couple of minutes. We will keep questioning for a second until we get into the last half on this vote, but I can promise you I will try to make my turnaround time as fast as I can and get right back and we will merely recess for a very brief period of time.

Are there ways in which you service organizations could interact better with the SBA in this process? Is there a relationship that could be improved and, if so, how?

Mr. BOURIE. I think going back to 1980—and Rick and I have been involved with it since that first day—I think we have a good relationship with Marshall and his team and Leon and Jim Sanders. Jim has been highly accessible to us. No problem whatsoever.

I don't really know how to better improve this. We work together. We share responsibilities. We provide advance through our various media efforts, newspapers, magazines, that sort of thing, getting the word out. The workshops in the past have had a tremendous attendance simply because the word has gone forth by the SBA and the veterans community.

How to improve that relationship I really don't know because it is not rocky as far as I am concerned. It is a solid relationship. We have problems. We need to get the program moving forward again.

Senator KERRY. If you were to characterize to us a sort of a nub, what is the bottom line of the slide back or the lack of moving forward?

Mr. BOURIE. Really, I think it needs a swift kick in the rear.

Mr. WEIDMAN. If I could take that, Mr. Chairman. The concern and the commitment on an individual basis that Jim was alluding

to on the part of Mr. Parker and Administrator Sanders and Mr. Bechet and other folks within the national Office of Veterans Affairs and others within the national office of SBA is, we believe, genuine, a personal commitment as well as a professional commitment. The problem is getting organized and going down through the chain of command. There is the rub.

What you have in the Office of Veterans Affairs now is essentially a division headquarters trying to run companies directly without putting battalion headquarters in between. What I mean by that is that it is our belief that Mr. Bechet, the acting director, currently has two assistants, one of whom is responsible for everything east of the Mississippi and one of whom is responsible for everything west of the Mississippi. I don't care how extraordinary an individual is, you are not going to be able to supervise 50 district offices, and you have to build some kind of chain of command to the regional veterans affairs officer whom VVA would recommend be a full-time individual to supervise those district offices and those individuals who have veterans affairs or officer duties as a collateral duty. That is No. 1, and that would be redesignating 10 employees, one in each regional office as a full-time person, working directly with and accountable to the national Office of Veterans Affairs.

The second thing is simply doing a business plan. Now, we are fully confident that there is the expertise within the SBA to prepare a business plan, to sit down and lay out a time table, delineate the functions needed. For instance, how are we going to get the small business development centers to do a better job for veterans and know that there is a veterans program? There were 35,000 veterans counseled by SBDC's last year, but it was inadvertent. There was no advertising for veterans at those SBDC's that we are aware of at all. It is because our guys are really hungry that that many came. That just proves the point that there is a market there that can be ever much greater in terms of giving accurate information if there was a solid plan with a solid timetable and assessment of the resources that are needed.

One final point here on the budget, Mr. Chairman. In fiscal year 1984, there was \$1.83 million specifically earmarked for the veterans Outreach and Training Programs, of which \$660,000 was actually spent. In fiscal year 1985, that was reduced by the Appropriations Committees to \$1.68 million, of which only \$230,000 was spent.

Now, it is our contention that if the level of outreach activity in the district offices and regional offices around the country were at the level that it should be, which is not spending any more money—it is low cost bang for the buck, if you will, in getting good information to SBA personnel in the field to get good information to veterans who inquire—then the demand for that \$1.68 million would have exceeded it by several fold.

We simply do not believe that there was only 238,000 dollars' worth of training demands in the entire Nation last year on the part of Vietnam and disabled veterans.

Senator KERRY. On that note, the committee will stand in recess for as brief a period as possible and resume as soon as we get back.
[Short recess taken.]

Senator KERRY. The hearing will be back in order.

I apologize to everybody. I got over there and thought it would possibly be one vote. Not only was it not one vote, but they held the vote open for an extraordinary period of time for a Senator who wasn't there to get there and then went immediately into another vote. All of you are familiar with the process and I know you understand, but I apologize nevertheless. You have been very, very patient.

Do any of you at this point recommend any specific changes in the Small Business Act, any amendments? Maybe it is something that you want to think about, but at first blush, is that something that you feel is satisfactory? Does anybody want to tackle that?

Mr. BOURIE. I, for one, would welcome the opportunity to work with this committee in developing a little bit more specifically special consideration and what should be done for veterans. I am uncomfortable with just the phrase special consideration. It is too nebulous. It is like pushing jello around. That is always Rick's favorite cliché.

Nonetheless, I would like to really get down to specifics on what basically the SBA should be doing as far as veterans.

Mr. WEIDMAN. I think it might be appropriate to introduce such legislation, Mr. Chairman, but I think that in the interim and what we would hope comes out of these hearings here today is a very strongly worded letter to the Administrator of the SBA from the committee, recognizing the accomplishments that they have made, asking that there be essentially a perk chart, if you will, a specific plan with timetables that will be submitted to the committee and the progress reported on a quarterly basis so that 5 years from now we are not in the same situation where we see it slip sliding away.

I would suggest that there are two sides to that deficit question. What we are talking about in spending on appropriations for veterans is basically chump change, but the return that it will bring in terms of income to the Treasury and growth of the gross national product is many, many times that sound investment of getting good information to veterans which is really what is needed.

Senator KERRY. Gentlemen, I would like to thank you very much, not just for being here today, but I would like to thank all of you for the work you are doing on behalf of veterans and the excellent advocacy which you are providing. A lot of veterans around this country are grateful and a lot of them don't necessarily know all the things that you do and they ought to be grateful, because I think you do terrific work.

Thank you for being here today.

Let me ask the third panel now of Prof. Jerry Boren and Paul Camacho from Massachusetts to come up. Professor Boren is currently the assistant director of the center for Corporate-Community Relations at Boston College. He is responsible for directing research at the Center. He was the principal investigator of a study commissioned by the SBA on Vietnam veterans and entrepreneurship and has written a dissertation on the same subject and will receive his Ph.D in sociology from Boston College this December.

Paul Camacho is a friend and fellow veteran from Massachusetts who has been a long-time veteran activist there. He was the executive Director of the Massachusetts Special Commission on the Con-

cerns of Vietnam Veterans which produced an important compilation of the status of veterans in the State and which had an important impact, I think, upon Massachusetts' response to Vietnam veterans. He also was an assistant investigator on the Small Business Administration study which is important to what we are doing here today for Mr. Boren, and, Paul, thank you for your patience also, both of you. I know this has gone a little longer than we anticipated.

Mr. Gurwitz is a disabled Vietnam veteran currently employed by the U.S. Postal Service. He has applied for a Small Business Administration loan from the veterans loan program and will have something direct to tell us about that program.

Gentlemen, again, welcome. We are delighted to have your testimony. It is important testimony, and I am sorry, again, that you were kept waiting. Mr. Boren, why don't you begin.

**STATEMENT OF JERRY BOREN, SCHOOL OF SOCIAL WORK,
BOSTON COLLEGE, CHESTNUT HILLS, MA, ACCOMPANIED BY
PAUL CAMACHO**

Mr. BOREN. Thank you, Mr. Chairman.

I will be as brief as possible. I think it is more important that we have a few minutes to ask and respond to questions.

As you mentioned, I have been asked to appear here because I directed one of the 13 studies that were funded a couple of years ago by the SBA. The general purpose of our study—and Mr. Camacho was my assistant on that project—was to try to measure the entrepreneurial aspirations and experience of Vietnam-era veterans and disabled veterans. We conducted the study in four States, Massachusetts, Ohio, Texas, and New York. I submitted my final report in March of this year.

Attached to my statement—the statement is not as lengthy as it might appear—and the bulk of it is the summary from that report. It includes a list of the major findings and recommendations that we made in that report.

What I will do now is two things: One, I will highlight some of what I feel are the more important findings and, second, suggest recommendations that I think the committee and the SBA should consider.

In terms of the significant findings, and there are literally hundreds of findings in this study and I am just going to highlight in general some of what I think are the more important, we found that the existence of a disability is a powerful factor in succeeding or failing in small business. It was the single most powerful predictor when we used a fairly high-powered statistical technique. It was the single most powerful predictor of success or failure among members of our sample.

When you control for disability, when you look at other factors, the relative importance of other factors, the access to institutional credit and the general educational level were the two other powerful predictors of success.

The second finding that I would like to emphasize, and this has been alluded to by a number of the people before me but we have probably some of the better hard data on it, is that there is a large

reservoir of strong entrepreneurial aspiration out there among Vietnam veterans. We developed an estimation procedure and came up with an estimate that approximately 13 percent of the Vietnam-era veteran population has what could be described as a strong interest or relatively strong interest in owning their own business. That is approximately 1 million.

Senator KERRY. Excuse me, if I could interrupt. Is that 13 percent of the total veteran population?

Mr. BOREN. Of the Vietnam-era veterans.

Senator KERRY. Of the Vietnam-era veterans.

Mr. BOREN. That is right.

Senator KERRY. Is there any screening out of existing entrepreneurs there?

Mr. BOREN. That is a good question. We simply could not do that methodologically. So, that does not include those who are already in business for themselves.

A third finding I would like to highlight is that when we examined the patterns of use of SBA's programs and services, we found that the higher rates of use in terms of demographic groups were among veterans who come from the disadvantaged groups in our society, particularly minorities, the disabled, people with low income and educational levels. They tend to use SBA services more than those from the more advantaged groups.

Finally, when we compared veterans who used private-sector services such as banks, credit unions, legal services, and so on, when we compared veterans who used those services with veterans who used the services of the SBA, we found that those who used the SBA were much less likely to report success or satisfaction with their experience through the SBA. Their criticism seemed to focus both on the quality of personnel and on the quality of the service they received.

We explored these issues in in-depth interviews. This data is from fixed choice questionnaires. We also followed up with indepth interviews with 60 veterans. We explored these issues and we found a depth of frustration and anger directed at the SBA that appears to be related to the way that they perceive our Government in general and our society in general has treated them since the war. Many feel that they are entitled to special benefits from the agencies and many feel that SBA is guilty of false advertising with their veterans business program.

Senator KERRY. When you say many feel they are entitled to special benefits, is that an inherent feeling of Vietnam veterans or veterans generally that they are entitled to some special benefits, or is that a response to their understanding of the term "special consideration"?

Mr. BOREN. Well, I think it is both. I think it is clearly reinforced by a law and a program that uses words like special consideration with a group of people who are accustomed to dealing with the Veterans' Administration or with the active services where they have clear entitlements for the sacrifices that they are making. I think there has been a lot of confusion in the minds of a lot of veterans that comes through our written responses to our questionnaire that when we say—when the SBA or when the Congress says—special consideration, they mean some form of entitlement, that you are

acknowledging that in order to set right or to address certain wrongs and to respond to certain sacrifices, veterans deserve something special above and beyond what other people are getting.

I think there is a lot of confusion when they then approach the SBA and are told, as other people have testified and we learned in our study, you don't understand. There is nothing all that special here. What we are going to do are some things like move your application to the top of the pile, but you don't get any special break on rates, collateral, et cetera. So, you have to be just as credit-worthy as the next person. I think there is a lot of confusion surrounding that issue.

So, in light of these findings and many others, I want to draw your attention to several recommendations. I think—and Mr. Parker alluded earlier to this—the fact that they feel the need for some type of program evaluation. I couldn't agree more. I think, in particular, the how-to—

Senator KERRY. Internal or external?

Mr. BOREN. Oh, I think it should be external.

In terms of the how-to program in particular, I think it should be looked at carefully by some skilled evaluators to find out whether or not it is discriminating, intentionally or not, against veterans who suffer particularly from post-traumatic stress syndrome.

We found that PTSD was a powerful factor in failure in small business. Often, as I understand it, those suffering from PTSD are given a rating that is fairly low by the VA. It is quite possible that this program does not consider that low a rating to mean that a person is incapable of competing successfully, but so far as I know, there has been no evaluation of the how-to program.

Our second recommendation, and this is consistent again with something Mr. Parker said, I think it is important that the 13 studies were done, that the science has been done. I think there is an incredible amount of information that needs to be digested, an incredible amount of information. Most people who are not involved in research probably don't appreciate how inundated the Office of Veterans Affairs is with information. This is one study alone. There are 13 of them, lots of detailed numbers that have implications for policy and programs.

I think it is important that they have both the expertise and the time to evaluate and sift through, to question the people who put—we put 14 months of our lives into this study. We gained a lot of knowledge. It has not been used. It is simply on these pages and it hasn't really been used yet.

Senator KERRY. It is my understanding that there are no executive summaries of any of these studies. Is that correct?

Mr. CAMACHO. They say they are coming out. My understanding is I question what happened. As you know, I directed Speaker O'Neill's conference. The interest of Vietnam veterans in small business goes at least back to 1982. By 1983, at the second Speaker's conference, we talked about the small businessman. Last year, we had invited Parren Mitchell and talked about it again. And in 1985, earlier this year, we talked about this again with Parren Mitchell.

The last thing before they had the hearings on where the money was going to go for SBA, we had you in the room, we had Senator

Kennedy in the room, and we had Parren Mitchell, the chairman on the House side, come in the room. He said, well let's see if the SBA is really going to come across the table. Senator, they haven't. There are a lot of places they have fallen off.

I wrote a letter recently from the Joiner Center as their director of research there, and they said they have some executive summaries coming, and we are supposed to get a chapter in the report to the President. My beef, so to speak, if I become an activist, their executive summaries and the synthesis of this information should perhaps maybe also be done by an outside person. You are only going to get the executive summaries of what the SBA thinks was nice in this study and all other 13 studies which just gives them a march-in, and they would be insane as bureaucrats not to protect themselves.

I, for one, as director of research at the Joiner Center, want to see all 13 studies. I want all 13 studies for the Joiner Center. I am sure the SBDC people up in Buffalo want that.

Senator KERRY. One of my requests in writing them which we didn't have time to go into today will be the effort to get those public and get them out, and we can talk about how we might do that intelligently. Sorry to interrupt you. Go ahead.

Mr. BOREN. So, I would encourage this committee and the SBA to think seriously about shifting funds away from the more scientific research which I think they already have too much of in terms of their ability to digest and use it and more into program evaluation type studies where the people who are doing the evaluations work more closely with the people in the program office to help them think about the design of the study and to help them use the results of it.

One of my concerns—and I don't fault the people in the Office of Veterans Affairs very much for this because I know what they are up against—but having put 14 months of our lives into this study and feeling we know a great deal about the issues, they haven't used us. After 14 months of doing this study, we spent 3 hours passing the information on to them. There has been no effort to really pick our brains or use our knowledge. Sure, they have the study, but that is not like using us directly.

So, I think there is a need to work more closely, and build it into the contract. It doesn't have to be a larger contract. There is a need to work more closely with the consultants. My contract wasn't even monitored by the Office of Veterans Affairs. Yet they are the people who are going to use the results. It was monitored by the Office of Economic Research who are not program people. They are not going to use the results. Why? Because the Office of Veterans' Affairs was trying to get its act together, it was having staffing difficulty, there were tragedies, et cetera. But the fact is that a lot of information is there that is not being used. That is the point.

Finally, another recommendation, and I think this is as much for Congress as for anyone. When you vote \$25 million or whatever—is it this committee?—earmarked for Vietnam-era veterans, to some extent, it is ignoring your obligation to help create a program out of that money. There isn't a veterans loan program. It wouldn't have surprised me if I called an SBA office and they said no, we don't have a veterans loan program. It is not really a program. It is

a pot of money. There is no program guidance, really, that goes with it.

If Congress is really serious about that money being used effectively for and getting it all out and getting it spent for Vietnam veterans and disabled veterans, it should provide some kind of program guidance to see that creditworthy doesn't mean the same thing that it means for everyone else. SBA can continue to come back and say, as Marshall Parker said, that we are loaning money to everyone who is creditworthy. And you and Senator Rockefeller can sit there and say but you have only spent 50 percent or less of it. We loan to those who are creditworthy. They are right and you are right, but you don't get anywhere.

We had dozens of horror stories of people who tried to get loan moneys, particularly small amounts of money, \$5,000, \$10,000, or \$15,000. The banks didn't want to talk to them. SBA didn't want to talk to them. There were hundreds of thousands of dollars available. They couldn't get \$5000 because they weren't creditworthy maybe, or marginally creditworthy maybe. Anyway, the point is that the resources and the needs are not being matched effectively.

There is one other point consistent with that. I heard the testimony about the VAO's, about your office's survey, and so on. One of the things that we social scientists love to talk about is institutionalization, the process of institutionalization. I think in the case of the SBA's veterans program, we have a classic example of an idea that has been advertised well but that has not been institutionalized throughout the SBA.

When we interviewed SBA staff throughout the country, the distinct impression that we got was that there was not the kind of commitment to veterans that is professed in the public relations. It just isn't there. This is an issue that I realize as politicians you have to tiptoe around, but we are getting comments like you have to be black or you have to be female. We have our priorities. We can't please everyone. The commitment to Vietnam veterans is not there. It may be there on paper, but it is not there in flesh.

And that is a problem of institutionalization. It is a problem of getting the message across by either hiring veterans in key positions or training people better or something.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Boren follows:]

STATEMENT OF JERRY BOREN
TO THE SENATE COMMITTEE ON SMALL BUSINESS

November 13, 1985

Mr. Chairman and members of the Committee. Thank you for this opportunity to speak on a subject that I believe has received too little attention from both the Congress and recent Administrations. It has been 11 years now since the passage of P.L. 93-237 requiring the SBA to provide special consideration to veterans of the armed forces in all Agency programs. During this period, the Agency has instituted a number of organizational changes and carried out a variety of activities including the Pechin Study, the work of a Veterans Task Force, the initiation of special programs and services for veterans, and the sponsoring of several research studies. It is, therefore, appropriate and timely for this Committee to ask that we step back and examine what has and has not been accomplished and to help give some direction to the future course of the SBA's programs for veterans.

I have been asked to appear before this Committee because I directed one of the research studies on veterans recently sponsored by the Agency. My purpose today is twofold: first to briefly describe that study and highlight what I believe to be some of the key findings, and second, to

propose some actions that I feel should be considered by the Congress and the SBA in light of the study's findings. Because of the large number of findings and recommendations contained in our final report, I will not be able to cover them all in these brief remarks. However, attached to this statement, you will find a copy of the Executive Summary prepared for the final report which was submitted to the SBA in March 1985. In that summary, you will find listed both the major findings and recommendations.

The study was conducted during a 14-month period from October 1983 to December 1984, and was designed to assist the newly formed Office of Veterans Affairs in their efforts to implement the SBA's policy of special consideration. Its general purpose was to provide information on the entrepreneurial aspirations and experiences of Vietnam-era and disabled veterans. More specifically, it had five objectives:

- Determine extent to which Vietnam-era veterans aspire to become small business owners and operators
- Determine their perceptions of the legal and financial institutions which are pivotal to their success
- Determine the factors present among the successful Vietnam-era entrepreneurs that differ from those of the

group that have been unable to launch a business, but would like to do so

- Isolate the relative importance of such factors, including age, experience, or education, that were included above
- Suggest any allowances that may be required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment.

To achieve these objectives, we administered a structured questionnaire to 472 Vietnam-era veterans in four states: Massachusetts, New York, Ohio and Texas. In addition, we conducted open-ended interviews with 60 veterans and with 26 decisionmakers. The latter included Congressional staff aides, SBA headquarters and field office personnel, SCORE and SBDC representatives, and officials of commercial banks.

Let me draw your attention to what I consider to be the most significant of the study's findings. The first of these has to do with the influence of disability in the entrepreneurial process. Our data suggest that disability can have a strong influence on entrepreneurial success. Those whom we classified as unsuccessful entrepreneurs in our

sample were much more likely to be disabled than were the successful entrepreneurs. In fact, of all the variables we tested in relationship to entrepreneurial success, the absence of a disability was the single most powerful predictor. Next in order of importance as predictors of success were access to institutional credit, and educational level.

The second finding I want to emphasize is the strength of entrepreneurial aspiration we found among large numbers of Vietnam veterans. We estimated that as many as one million, or 13 percent, of the total population of Vietnam-era veterans have a relatively strong interest in owning and operating a small business. We also found that the highest levels of aspiration were more common among blue collar workers and veterans who suffer from social and economic disadvantage in our society.

When we examined patterns of use of SBA's programs and services, we found higher rates of use among veterans who come from the less advantaged groups in our society. This finding is understandable in the context of the traditional role of government in assisting and protecting those suffering from discrimination and blocked opportunity. Groups more likely to use the SBA relative to their numbers in the population are disabled veterans and minority veterans, especially those from lower income groups.

Finally, when we compared veterans who used private sector services such as banks with veterans who used the programs and services of the SBA, we found that the latter were much less likely to report success or satisfaction with their experience. Their criticism focused on the quality of both personnel and services. When we explored these issues with the veterans in followup interviews, we found a depth of frustration and anger directed at the SBA that appears to be related to the way they perceive that our government and society has treated them since the war. Many feel they are entitled to special benefits from the Agency and many feel that SBA is guilty of "false advertising" with their veterans business program. Their appeal is for a form of special consideration that goes beyond what the Agency currently offers.

As a result of these and other findings, we made a number of recommendations to the SBA, all of which are contained in the Executive Summary attached to this statement. In concluding these remarks, I urge the Committee to consider the following:

Recommendation 1: Conduct a thorough review of the Handicapped Assistance Loan Program (HAL-2) to ensure that qualified veterans are aware of the program; that it is not discriminating against veterans suffering from

Post Traumatic Stress Syndrome (PTSD); and to determine the feasibility of modifying the requirement that the business be 100 percent owned by handicapped individuals.

Recommendation 2: Shift the focus of research on veteran's issues from survey-type studies to a greater emphasis on program evaluations that will be of more immediate and direct benefit to Office of Veterans Affairs (OVA) staff.

Recommendation 3: Discontinue the special veteran's business conferences and use the OVA's resources to focus more on small group or one-on-one assistance in the development of business plans and other areas of business skills development.

Recommendation 4: Include specific program guidance for the SBA with any future earmarking of direct loan funds for disabled and Vietnam-era veterans. Use this guidance to ensure that veterans who cannot satisfy the normal criteria of "credit worthy" are able to secure a business loan.

Recommendation 5: Require that the VA and the SBA work more closely together in the delivery of business services to veterans. For example, consider ways that the VA network of Veterans Centers can be used in the delivery of SBA services.

**Vietnam-Era Veterans
and Entrepreneurship**

Veterans Small Business Project
Newtonville, MA
Jerry Boren, Project Director

March, 1985

This study was funded by the Office of Veterans Affairs, U.S. Small Business Administration under SBA Contract 7219-VA-83.

Executive Summary

This report describes and presents the findings of a survey research study of the entrepreneurial aspirations and experiences of Vietnam-era veterans with a special focus on disabled veterans.

The study was conducted over a 14 month period from October 1983 to December 1984. Consistent with the original Request for Proposal, it has five major objectives.

1. Determine extent to which Vietnam-era veterans aspire to become small business owners and operators.
2. Determine their perceptions of the legal and financial institutions which are pivotal to their success.
3. Determine the factors present among the successful Vietnam-era entrepreneurs that differ from those of the group that have been unable to launch a business, but would like to do so.
4. Isolate the relative importance of such factors, including age, experience, or education, that were included above.
5. Suggest any allowances that may be required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment.

To achieve these objectives we asked a sample of 472 Vietnam-era veterans from four states - Massachusetts, New York, Ohio and Texas - to complete a lengthy questionnaire. In addition, in-depth interviews were conducted with 60 veterans who participated in the survey to allow them to elaborate on their questionnaire responses.

A list of the major findings follows this summary. Our purpose here is to highlight the most important of these and summarize what we feel to be their implications for SBA policy and programs.

Objective 1: Entrepreneurial aspirations of Vietnam-era veterans

We estimate that between 700,000 and 1 million Vietnam-era veterans have a relatively strong interest in owning and operating a small business. This represents between 8% and 13% of the Vietnam-era veteran population of approximately 8.3 million. Based on our data it appears that aspiration is especially associated with social and economic disadvantage in our society. We found that veterans who rank lower on two or more social criteria are much more likely to have strong aspirations. Groups with high proportions of aspirants include:

- blue collar workers
- the unemployed
- members of minority groups, especially those who are unemployed, or have low incomes and no college education
- veterans in general with low incomes and low levels of education

In addition to an obvious need for capital or credit, about three-quarters of those with strong aspirations reported they would need accounting assistance if they were to attempt to start a business.

Based on these findings it seems likely that the response to any special effort by the SBA to appeal to veterans would come primarily from this pool of potential entrepreneurs. Since a disproportionate number of these veterans come from groups with few financial assets and low levels of education, this could place an unusual strain on the resources of the Agency.

Objective 2: Perceptions of SEA and private sector institutions

We found a distinct tendency for veterans who use SBA's programs and services to come from the less advantaged groups in our society. This

finding is understandable in the context of the traditional role of government in assisting and protecting those suffering from discrimination and blocked opportunity. Groups more likely to use the SBA relative to their numbers in the population are disabled veterans and minority veterans, especially those from lower income groups.

We also found that veterans from the more advantaged groups in our society are the most likely users of the legal, financial and accounting services in the private sector. They include Whites and those with higher levels of education and income. The factor most likely to discourage use of these services is the condition of being unemployed.

Vietnam-era veterans who use the private sector report a relatively high degree of success and satisfaction with their services. By comparison, those who use the programs and services of the SBA are much less likely to report success or satisfaction. Interestingly enough, we found that minority veterans, those who served in the lower enlisted ranks (E1 - E3), and those with lower family incomes are more satisfied with the services of SBA than are members of more advantaged groups. The least likely to be satisfied are veterans who served in the Vietnam theatre and those with a business-related degree.

Veterans who were critical of the SBA tended to focus their criticism on the quality of personnel and services whereas those who were critical of the private sector were more concerned about program criteria or requirements, such as loan ceilings and collateral, that restricted their opportunity to participate. Overall we found a great deal of anger and frustration among Vietnam-era veteran entrepreneurs directed at the SBA that appears to be related to their feelings about the way our government and our society has treated them since the war. Many feel they are entitled to special benefits from the Agency and many feel that SBA is

guilty of "false advertising" with their veterans business program. Their appeal is for a form of special consideration that goes beyond what the Agency currently offers.

Based on the above and the findings summarized earlier for Objective #1, it would seem that the SBA has a basic policy decision to make. It is the decision whether or not to target Vietnam-era veterans with special needs as a priority group for service. If a decision is made to do this then it is problematic as to whether or not the SBA has the resources to meet the likely demand. If the decision is not to target this group then we strongly suggest the Agency re-evaluate its current policy and program of special consideration to veterans. We suggest this action because we believe that the message veterans are receiving (whether intended or not) is that there is much more available to them through the SBA than in fact there is. The result seems to be that Vietnam-era veterans are developing a somewhat negative image of the Agency.

Objective 3: Factors associated with success

Objective 4: Relative importance of such factors

Our data suggest that disability can have a strong influence on entrepreneurial success. Those who we classify as unsuccessful entrepreneurs in our sample are much more likely to be disabled than are the successful entrepreneurs. In addition to disability status, access to credit and possession of a college degree seem to be the best predictors of whether or not a veteran will succeed in business. Entrepreneurs who were able to secure their initial financing from an institutional source, e.g. a bank or the SBA, were more likely to succeed than were those who

depended on personal savings, friends or family resources. We also found that successful entrepreneurs are more likely to be incorporated and less likely to form sole-proprietorships than unsuccessful entrepreneurs.

Based on these findings, the practice of evaluating loan applicants using experience criteria could be seriously questioned. Our data show no significant relationship between success and either general business experience or technical experience in the business being entered. In fact, for the 93% of the veteran population who are not disabled, the best predictors of success are general education and ability to secure a loan.

Finally, our data show that unsuccessful entrepreneurs are more likely than the successful to belong to Vietnam-era and other veterans' groups. While our data do not provide an explanation for this phenomenon, our belief is that it can be explained on theoretical grounds as a result of one type of motive for group membership. Since one of the reasons people in general join groups is to seek support and understanding from others with similar experiences, we believe that some Vietnam-era veterans may seek out their buddies in these groups at a time when they are struggling or have just failed in their effort to start or sustain their own small business. They may be unemployed, have some extra time on their hands and may be feeling vulnerable and in need of support. This is, in fact, one of the very positive functions these groups perform. We hasten to add that we do not believe this is the only reason a veteran joins one of these groups. In fact there are many others including a service ideal and political action motives.

One implication of this finding that unsuccessful entrepreneurs tend to join veterans groups is that if the SBA decides to target as a priority group Vietnam-era veterans with special needs, then these organizations would provide an excellent opportunity for cooperative ventures.

Objective 5: Allowances for the disabled

Probably the strongest finding of this study is the degree to which disability limits the entrepreneurial opportunities of disabled veterans. Disability, especially psychological and neurological, increases the likelihood that a business will not get off the ground and probably decreases its chances of survival beyond three years. We also found that disabled veterans are much more likely than the non-disabled to have left their business involuntarily. This is especially true of veterans suffering from Post-Traumatic Stress Syndrome (PTSD).

In addition to these findings, we learned that many veterans with a disability of 50% or more are discouraged from making a concerted effort to start their own business because they are uncertain as to what the Veterans Administration would do in relation to their disability rating and benefits. Since they cannot be certain that they will succeed in a fairly risky venture they don't want to jeopardize their financial security and possibly place themselves in a situation where they would have to repeat the bureaucratic process of being re-evaluated and receiving a new rating. One veteran suggested that the VA allow a reasonable period for a beginning entrepreneur to discover whether or not they can make it in a small business and then phase benefits out rather than cut them immediately.

Our data also suggest that disabled veterans face stronger barriers when trying to enter into business in the retail and manufacturing sectors while they find it relatively easy to enter the service sector where the largest proportion are found. Finally, we found that disabled entrepreneurs are much more likely than the non-disabled to form sole-proprietorships and less likely to incorporate or form partnerships.

Those suffering from PTSD appear especially motivated by the desire to avoid working for someone else and, when in business for themselves, are more inclined to work alone.

Based on these findings we suggest the SBA take the following steps to help minimize the difference in entrepreneurial opportunity and performance between disabled and non-disabled veterans:

- Share with the VA the information we have developed in this report on the relationship between disability and entrepreneurial aspiration and performance, and explore with VA representatives ways to minimize the impact of the VA rating system on the entrepreneurial initiative of disabled veterans.
- Review the performance of the HAL-2 program. Determine whether there are any distinct patterns of use by degree and type of disability.
- Consider modifying for veterans the HAL-2 requirements that the business be 100% owned by handicapped individuals.
- Familiarize HAL-2 administrators with the nature of PTSD and the problems it can generate. Make a special effort to welcome participation of applicants with PTSD and to avoid excluding veterans with a VA rating of 30% or below.
- Increase efforts to advertise the HAL-2 program especially through veterans organizations.
- Explore with the VA the possibility of locating on a six month trial/pilot basis, a loan officer and SCORE representative one day a week (or every other week) in selected VA Vet Centers around the country. Evaluate this effort in terms of level of response and quality of results.
- Propose to the Congress that disabled veterans (rather than all Vietnam-era veterans) be defined as a group suffering from "social and economic disadvantage" in order that they might qualify for participation in the 8 (a) Minority Business Development and Procurement Assistance Program, the 7 (j) Management and Technical Assistance Program and other programs limited to persons or businesses so defined.

Findings

Due to the length of the questionnaire and the breadth of material covered, we have developed literally hundreds of findings in Chapter 4 of this report. Some, of course, are more important than others. For the summary below we have extracted what we feel are the most important of these and presented them in as brief a form as possible. The presentation of findings is arranged in the order that the material was presented in Chapter 4. The reader interested in the full range of findings and the analysis conducted should review Chapter 4.

A. Entrepreneurial Aspirations of Veterans

1. We estimate that between 700,000 and 1,000,000 Vietnam-era veterans can be classified as having a strong interest in owning and operating their own business. This does not include those already in business for themselves. These numbers represent 8% and 13% of the total Vietnam-era veteran population.
2. Vietnam-era veterans with strong entrepreneurial aspirations are motivated more by the challenge and the opportunity to be free from working for someone else than they are by the prospect of higher income. However, they are also very concerned about the risk of financial insecurity that self-employment brings.
3. These veterans are most likely to want to open a business in the retail or services sector and about one-third each would expect to use their savings, secure a government loan or a bank loan for their initial capital or financing.
4. Of other non-financial types of assistance they feel a need for, accounting is by far the most common need.
5. Overall, occupation is the best predictor of entrepreneurial aspiration. Blue collar workers are more likely than white collar to have strong aspirations.
6. Social and economic disadvantage is associated with aspiration. In general, veterans who rank low on two or more social criteria are more likely to have strong aspirations. In particular, the following combinations appear to generate aspiration:
 - being unemployed and a member of a minority group
 - being a member of a minority group and having a low income

- working in a blue collar job and being a minority
- being a minority group member with a low educational level
- having a low educational level and a low income

B. Characteristics of Veteran-Owned Businesses

1. Vietnam-era veterans are most likely to own and operate businesses in the service and retail sector, however, when compared with entrepreneurs in general, veterans are more likely to be in manufacturing and less likely to be in finance, insurance and real estate or agriculture.
2. In terms of the life expectancy of operations, 71% of previous owners either left or closed their business within the first two years of operation.
3. The vast majority of veteran-owned businesses are "small-smalls". Ninety-two percent have fewer than 20 employees. The median number employed by all businesses in our sample is 1.5.
4. There is a tendency for Vietnam-era veterans to co-own with or employ other veterans.
5. Vietnam-era veterans are most likely to form sole-proprietorships but are more likely to form corporations or partnerships than are entrepreneurs in general.
6. Veteran-owned businesses formed as corporations survive longer than those formed as sole-proprietorships or partnerships. The latter is the least stable of the three structures.
7. Veteran entrepreneurs report at start-up a median of 3.6 years of general business experience and 4.5 years of experience in their field, trade or profession.
8. Seventeen percent of self-employed veterans have a degree in a business-related field and another 38% report having taken some courses.
9. About three-quarters of veteran entrepreneurs start a new venture rather than purchase or inherit an existing business. The majority rely on personal or family savings for their initial capital or financing and only 4% received a government loan for this purpose.
10. Once their business was underway, 41% received an additional loan, almost always from a bank. Only 5% reported receiving a government loan.

11. Full-time entrepreneurs are much more likely to have received a loan than those operating a business on a part-time basis.

C. Experiences with and Perceptions of SBA and Private Sector Services

1. There is a tendency for veterans from less advantaged groups in our society to use the programs and services of the SBA and veterans from groups with greater social and economic advantage to use the business-related services in the private sector.
2. Disability status and minority status are the two best predictors of whether or not a veteran will use the programs and services of the SBA. Disabled and minority veterans are more likely to use these services than are the non-disabled and White veterans.
3. In general, the likelihood of using SBA is related to positions of social and economic advantage in our society. Those who rank lower on two or more social criteria are more likely to be users. The following combinations are the strongest indicators of use:
 - lower rank in military (E1 - E3) with disability
 - minority veteran with low income
 - disabled veteran with low income
4. The veteran sub-group with the highest rate of use of SBA's programs and services are minority veterans with family incomes between \$15,000 and \$30,000.
5. Employment status and full-time/part-time status are the best predictors of whether or not a veteran entrepreneur will use the business-related services in the private sector. Veterans who were employed at the time of the survey or who are self-employed full-time are more likely to show a pattern of private sector use.
6. The two veteran sub-groups with the lowest level of use of private sector services are part-time entrepreneurs with no college education and Black veterans with low incomes.
7. Veterans who use the financial, legal and accounting services of the private sector are much more likely to describe their encounters as successful and helpful than are those who use the programs and services of the SBA.
8. Of those who use the SBA, successful entrepreneurs, minorities, those with lower incomes and from the lower enlisted ranks are more likely to be satisfied with the service they received. The least likely to be satisfied are veterans who served in Vietnam and those with a degree in a business-related field. Overall, the best predictor of satisfaction with SBA is minority status.

9. Criticism of the SBA focused on quality of personnel and services while criticism of the private sector focused more on the program criteria, e.g. collateral requirements, that limit the veteran's opportunity to participate.
10. Overall, we found a great deal of anger and frustration among Vietnam-era veterans directed at the government in general and at SBA in particular. We did not find this to be the case for private sector institutions. These feelings seem to be related to the history of treatment of Vietnam veterans in our society since the war as well as to feelings of entitlement and to expectations raised by SBA publicity.
11. The most frequent suggestion veterans make for improving SBA's services to veterans has to do with special consideration in the form of giving more time to veterans, being more sensitive to their "beginner's" status and showing them respect.
12. The second most frequent type of suggestion veterans make for improving SBA's services is to lower interest rates, reduce collateral requirements, and allow longer terms and lower ceilings for loans.

D. Factors Associated with Entrepreneurial Success

1. Disability has a powerful influence on veteran entrepreneurs. Disabled veterans are much more likely than the non-disabled to have been unsuccessful in their efforts to start and operate a small business.
2. In addition to disability status, education and access to capital or credit are major factors that contribute to success in small business among Vietnam-era veterans. Successful entrepreneurs are more likely to have a college degree or at least some college and they are also more likely than the unsuccessful to have received start-up capital or credit from an institutional source such as a bank or SBA.
3. Successful entrepreneurs are much more likely to have incorporated than are the unsuccessful and much less likely to be a sole-proprietorship.
4. Successful enterprises are more likely than those that did not succeed to be in the manufacturing or finance, insurance and real estate sectors; and less likely to be in the retail, transportation or agricultural sectors.
5. Unsuccessful veteran entrepreneurs are more likely to be members of both Vietnam-era and other veterans groups than are those who are successful in business.

E. Disability and Entrepreneurship

Several findings related to disabled veterans have been presented in the preceding sections. In addition to the above, the following findings were developed in Section 4E.

1. The VA system of evaluating and rating disabilities is a disincentive for many veterans, especially the more severely disabled, that works against starting their own business.
2. Disabled veterans are most likely to aspire to own and operate businesses in the retail sector but usually enter the service sector instead. They also seem to encounter stronger barriers to entry into the manufacturing and finance, insurance and real estate sectors.
3. Disability increases the likelihood that a business will not get off the ground and probably decreases its chances of survival beyond three years.
4. Disabled veterans are much more likely to have left or closed a previous business involuntarily than were the non-disabled.
5. Disabled veterans are more likely to form sole-proprietorships and less likely to form partnerships or be incorporated than the non-disabled. This is especially true for those suffering from Post-Traumatic Stress Syndrome (PTSD).
6. Veteran entrepreneurs who are disabled are more likely to be self-employed on a part-time basis and to have fewer employees and lower revenues than the non-disabled.
7. Disabled veterans are more likely to be unemployed than the non-disabled. Twenty-eight percent of disabled veterans and 11.4% of the non-disabled reported lack of employment at the time of the survey.

Additional Suggestions for Changes or Innovations in
SBA Programs for Veterans

In Section 4C of this report, we have summarized suggestions made on the questionnaire for improving SBA's programs and services to veterans. (See pp. 118 - 120) However, during the course of this study we spoke both formally and informally with several hundred veterans and others responsible for policy and programs related to veterans. During these interviews and conversations, a large number of suggestions were made concerning changes or innovations that might improve the veterans business program of the SBA. Many were very general and some probably not very practical but there were also some that we believe merit consideration. These are listed below.

A. Credit and Equity

- The vast majority of Vietnam-era veteran owned businesses are "small-smalls", i.e., they employ fewer than 20 people and, in fact, the majority employ fewer than 4. Most have very modest needs for start-up or working capital. Many are seeking loans of \$10,000 or less and find neither the banks nor the SBA very interested in financing that small an amount. Therefore, the SBA should make a special effort to meet the needs of this group.
- SBA should support the use by banks of a short-term revolving credit tool for businesses with seasonal capital needs. For a fixed period, say six months, the borrower could draw on the account while paying only the interest. At the end of that period full repayment would be made. The cycle would then begin again as needed.
- SBA should encourage the creation of a version of the Minority Enterprise Small Business Investment Corporation (MESBIC) for Vietnam veterans, i.e., VESBIC's.

B. Use of Organizations for Outreach

- The Veterans Business Resource Councils are a very good and very important idea but many are floundering due to lack of financial support and the organizational changes occurring with the Vietnam Veterans Leadership Program. A special effort needs to be made to establish the VBRC's on a sound basis. SBA should conduct a review of the more successful Councils and transfer that knowledge to others. The Agency should also make a greater financial commitment to the Councils.
- The SBA should establish a system of storefronts or use the VA Vet Centers for some of the work of field office staff and SCORE counselors. This would increase participation and improve communication between veterans and SBA.
- Vietnam-era veterans groups and their newsletters should be used more to disseminate information on SBA programs and policies for veterans.

C. Personnel for Outreach

- Full-time VAO's should be appointed in the district offices and, if this is not practical, try it in a few districts and evaluate the results.
- SBA should make more of an effort to appoint Vietnam-era veterans as VAO's.
- SCORE chapters should try to recruit more volunteers with experience in small business.

D. Materials for Outreach

- Since partnerships are the least stable of any business structure among veterans, the SBA should consider the development of special informational material and seminars or workshops on the subject of forming a stable partnership.
- Since accounting is the area that most aspiring entrepreneurs need assistance in, the Agency's material and programs in this area should be reviewed for adequacy.

Senator KERRY. Thank you.
Mr. Camacho.

**STATEMENT OF PAUL R. CAMACHO, ASSISTANT DIRECTOR,
WILLIAM JOINER CENTER, UNIVERSITY OF MASSACHUSETTS**

Mr. CAMACHO. I would like to make my comments in connection with two particular areas, almost three in a way. One is from the point of view of a researcher at the Joiner Center—4-Mass/Boston—and as an activist, and the other is to follow up on some of the things as I found as I did a lot of the indepth interviews with Jerry. We designed a questionnaire together, and I was responsible for Texas and New York State and a lot of the Massachusetts interviews.

With regard to the misrepresentation to the respondents, the respondents told me they had called up the GSA. In New York State they were attacked, in downstate New York. In the Harrison and Rye area they were attacked for being Vietnam veterans. Why do you fellows deserve any money? You shouldn't beef about this. Some SCORE officials did that. SBA officials did that.

I know there is a fellow—SBA official—down in the city who has tried to do well; they set up this big seminar. The first day, guys would go in and they would think that there was something happening. There was zero followup, absolutely zero followup. And there are always so many qualifications and hurdles for the fellow who is applying for the money, what social, economic, statistical, you know, what backdrop does he come from, etc.

So, he hears this big SBA sell story, and then he goes to the SBA office and he is shot down from the beginning to the end of the process until he finally walks away. He says this is ridiculous. That is the fact of life.

In Texas, I can tell you that out of 10 people, I am sure that 4 and possibly half said they told me it was for Hispanics only. The whites responded they told me the SBA told them it was only for minorities. An Hispanic guy told me, they—SBA—told me it was only for blacks. That is what I was told over the phone in indepth interviews with the respondents to our study.

Senator KERRY. Was that prior to the evaluation of their credit or postcredit in denial?

Mr. CAMACHO. This was during—you couldn't really determine that from the response. It would be unfair to do that. In other words, the respondent sometimes didn't know where he was in this process.

Senator KERRY. But there was a full application in front of them.

Mr. CAMACHO. There was a full application or partial application. He was applying and he never even got to the top of the list? That is if it gets on the table, Senator. Because so many of them never made it to the table. They were actively discouraged so much that they finally gave up.

Senator KERRY. Did you get into any greater indepth exploration of the process they went through? Did you track what they went through in any way?

Mr. CAMACHO. To the best that I could track, but you can't be sure that the respondent knew where he was in the process of ap-

plying. They had applied. They had called up the SBA and were looking for loans and many of them requested a too small amount of money. That was a big point.

But there are other points. Does the SBA want to deal with the really small, the startups, the guys who are having a hard time who want to break out of their backyard plumbing business and go full time so that they can leave the United Parcel Service? The guy who is a roofer who has enough roofing jobs to last him a whole season and into next year as well who could buy another truck, get some more ladders, and put three fellows that he knows onto work?

They—SBA—are not really interested, frankly. From interviewing the SBA officials, the SBDC people and talking to the SCORE people, they saw that as all too much small time peanuts and beer, and their—SBA—attitude was we are not interested in that and we have discovered you guys are never going to make it doing that.

Frankly, I think that is where 85 percent of the Vietnam veterans are in this. They are not trying to create Borland International or a new software set which is a high powered thing, look at cash flows, et cetera. No; John Houghton wants a new 40-foot ladder for his truck or another truck so he can hire the guy down the street and close on three more roofing jobs this week instead of just one. To them, that is where those businesses are at. They are starting up.

And they are discouraged by requirements concerning the need for a great deal of management skills. Our study showed that you need to really know the business. They are put off by management—I had a coffee salesman I interviewed. He did \$15,000 a month at the time I interviewed him. He started off with \$700 2 years earlier in his first month. The beginning loan he was refused by the SBA and his additional loan that he was looking for to buy 200 more coffee machines for the business was also turned down. But he did get the money and he did \$15,000 that month that I interviewed him.

Senator KERRY. Do you know where he got the money?

Mr. CAMACHO. He got it from family, from brothers. And it was a small amount he was looking for—\$7,500 I think he was looking for. The point he brought up was that they didn't want to pay attention because he was too small.

Another point that he brought up and many of the indepth interviews brought up was what do I need to know marketing projections, cash-flow for? I am trying to put a roof on this guy's house. This is ridiculous. To talk to me about cash-flows and 10-year projections when I am talking about a roofing business is ridiculous to me. I am talking about selling ham and salami in a neighborhood store, buying out this guy who is leaving his sub shop—buying that.

In reality, that is where a lot of the small businesses are, and if they can move from there, that is fine. However, the SBA is viewing those established businesses. When you say small business, most of our sample population employed under five people. You know, they—SBA—are looking at 20 and over, \$150 million revenue, and we—SBA—are going to push this business that is growing up, et cetera. There is a place for that.

Yet there should be a segment for the small, or they should be told it is not for you and you guys are going to have to look elsewhere. You are not going to get anything from here.

Senator KERRY. There would be a real contradiction in having an SBA program that is supposed to give special consideration in adopting what you just suggested.

Mr. CAMACHO. Yes, it would be. But it is time to be very realistic. We give special consideration to those who don't need it, the guys who have made it.

I have heard money mentioned here. I really wanted to get to a few points, and I will do them quickly. We have covered the misinformation, the direct loan money.

There is or was allocated, or said that somebody in SBA was sitting on \$2 million or \$1.6 million for training. My understanding of that pool—that is all the same pool of outreach and pilot project money. That wasn't meant to go train SBA officials who rotate their positions every 9 months, somebody else in whatever office wearing that new hat. So, naturally, they could train them from now into tomorrow and they are never going to know the vet program because they are gone in 6 months. It is like rotation. It is like the rotation date. Those guys are never permanent, so they are never going to be there. So, that is out.

But an SBDC pilot project, specialty shop, what do those guys need? If I am John Houghton of Cambridge with my roofing business and this is the vast majority of cases, I need to know how to put that business plan together so that I can go to Suffolk Franklin and say this is a respectable business plan. Then I can see some people and get some loan officer interested in it. I know roofing. I don't know how to put this loan package together. That is what the pilot SBDC project specialty shop should be doing.

Those SBDC people are running them through a grinder, not assisting them as much as they could. The one in Buffalo, the SBDC's in Buffalo, this fellow named Frank Vulcowski with the VVLP had a proposal in. My understanding is that SBA laughed at it at first. Now, they have Moynihan and Kemp a little interested in it, so they may be considering the thing.

I know those people. I know personally as a researcher and an activist, I know those people. They have the full support of the Albany SUNY system. They have the support of some chief economists up there at Buff State, and a proposal like that should be funded. Notice I am advocating for a proposal out of my State. Those guys are good.

Senator KERRY. All right. We are going to have you back.

Mr. CAMACHO. And that would be a good proposal to fund. It gets lost in the shuffle, and it shouldn't be lost in the shuffle.

Finally, get back to the 13 studies and then I will quit. Those 13 studies should be out there. Perhaps all 13 consultants in charge of those studies should have a hearing where you interview all 13 consultants that did those studies. We have no idea who did the other studies. But that is an enormous amount of data.

We did a typology construction of it—the study—of successful, unsuccessful, disappointed, aspiring. Other studies had whatever methodology they used. There is just an enormous amount of information and it is going to be buried if we have to rely on SBA sum-

mary sheets. It just is. The Joiner Center and other universities, especially the schools of management, might really benefit.

Senator KERRY. Have you approached them about access to those studies or some plan for utilization of them?

Mr. CAMACHO. I wrote a letter to them and the response was somewhat positive that the studies were still coming in, or trickling in, and they are synthesizing the data now. Given the tragedies that hit the Small Business Administration with regard to the veterans program—I am speaking of Steve Mollett—OK, but this all should be done by now. They said that the summary reports and summary sheets were due, but I want more than that. I want the 13 studies out there so that VVA can get the studies, so that SBA and the VVLP should get the studies, the Joiner Center, and so forth.

If you are talking about the Veterans Councils, that was in tandem with the VVLP, one of the few really good things to come out of the present Republican administration for veterans that I can see, but it got chopped and defunded. Those VVLP programs are a good idea, and they should have been given a little more pot of money so they could get established. They need a lot of contacts with the private center.

Rick Ducey ran a great program in there in New England and there are other good programs, Mr. Farris of Georgia, VVLP. There is just a lot of good ideas there. I don't think they—SBA—are giving enough money to really get those veterans Business Resource Councils off the ground. That money is sitting there. They should have spent it.

[The prepared statement of Mr. Camacho follows:]



The Commonwealth of Massachusetts
University of Massachusetts - Boston
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Paul R. Camacho
 Assistant Director
 William Joiner Center
 University of Massachusetts
 Boston, MA 02125

November 10, 1985

Senator Lowell P. Weicker Jr.
 Chairman
 Committee on Small Business
 Room 428 A
 Senate Russell Office Building
 Washington, D.C. 20510

Dear Senator Weicker,

On behalf of the William Joiner Center at the University of Massachusetts, I would like to thank you and the members of the Committee for providing the opportunity to address you with regard to Vietnam veterans and small business opportunities and needs.

As you may or may not be aware, I was fortunate to have the opportunity to participate in research on several matters of concern to Vietnam veterans from 1982 through 1983 as a member of the Massachusetts Special Commission on the Concerns of the Vietnam Veterans (Senator Francis D. Doris, Chairman). During 1984 I was enjoined as a private consultant on one of the thirteen studies which the Small Business Administration commissioned during 1983. Finally, as an activist closely involved with the annual conference which Speaker O'Neill provides Vietnam veterans each Spring, I have witnessed the growing interest, concern, and unfortunately, frustration of Vietnam veterans with regard to the issue of small business, and the Small Business Administration in particular.

It is from these three vectors that I address this committee with regard to (1) the status and needs of the Vietnam veterans as a small business community, (2) point out items of concern which that community has vis-a-vis the Small Business Administration,

(3) mention some of the notions and program development others have been attempting to implement, and (4) offer some specific recommendations for your consideration.

(1) status and needs

The Boren study indicated that between 700 thousand and one million Vietnam Era veterans have small business aspirations, and/or are conducting small business operations. It appears that the vast majority of these endeavors employ well under twenty people.

Currently it appears to this researcher that the Vietnam veterans small business community can be described as a two tier structure. At one tier are those small businessmen with good to excellent business acumen, and reasonably developed management skills. This sector seeks a capital pool of approximately \$250,000. The often fail to qualify for SBA assistance because they are eligible and/or are able to secure the financial services of commercial institutions. The problem is that loan terms are often too demanding. An SBA guarantee and more favorable rates, would provide them a survival margin or hedge against unforeseen downturns.

The second tier consists of those who aspire to develop a small business and/or are attempting to do so by beginning as a part time venture. The critical juncture comes when the business begins to reach a point that demands full financial and time commitment. They are often prevented from crossing the threshold because they are unable to meet the additional venture capital needs which are required. Further many lack the formal general business management skills so as to produce the presentable business plan that financial institutions require. It is at this point that they seek assistance from the SBA.

(2) items of concern

First, one of the foremost problems that works against both the veteran and the SBA is the process of disenchantment. That is to say, the informational campaign concerning SBA assistance to Vietnam and Vietnam/Era veterans was not well constructed. In my opinion they unintentionally encouraged many to believe that the SBA was there to set them up in business. Yet even those much more realistic about the SBA endeavor were also disappointed. The SBA seminars which were organized and geared to Vietnam veterans only served to wet appetites. There was no follow up; veterans became very angry.

Second, the pool of 25 million dollars of direct loan money was and apparently has never really been available. In a large majority of the in depth interview which were conducted last year, the respondents indicated that they were told that either no

direct loan money program existed, that no veterans program existed, and/or that programs available to Vietnam veterans were geared to only specific racial/ethnic segments of the Vietnam veteran population. Several reported being verbally attacked as Vietnam veterans.

Third, many of the Vietnam veteran activists in the area of small business have been seeking to establish a pilot SBDC specialty shop outreach program specifically geared to assist the Vietnam veteran small business community. In fact this has been discussed at Speaker O'Neill's annual conference since 1983. This past May we received support from Parren Mitchell for such a project. Consequently such a pilot project has been designed by the Vietnam Veterans Leadership Program at State University College at Buffalo. It has the support of the New York State SBDC system, the Massachusetts Vietnam Era Veterans Association, and others from the Vietnam veteran community in the Northeast. It has received an unwarranted cool reception from the SBA thus far.

The fact is that the SBA Office of Veterans Affairs sits on 1.5 million in pilot project funds, for just such purposes. No one was made aware that such a pool of research money existed, much less encouraged to submit proposals. It is my understanding that these funds are now to be diverted to train SBA personnel. Activists all across the Vietnam veteran community object to this.

Fourth, the entire Vietnam veteran community is immensely interested in the thirteen studies which were Commissioned by the SBA and certainly by now are all completed. We would like those to be available to the Vietnam veteran community. Again I refer here to each of the thirteen studies not merely the SBA summaries of those studies. Frankly many of us feel that those studies deserve a Congressional Hearing in and of themselves.

(3) program development

Mention has already been made of the State University College at Buffalo SBDC Specialty program. Allow me to point out that the prime objective here is to assist those aspiring to begin and those who have been operating small business to improve their management. In short they would bring classroom assistance particularly with regard to developing the small business plan, accounting, marketing, etc. directly to the veteran by way of the community based organization.

In Massachusetts the Office of the Commissioner of Veterans Services has applied for FJTPA funds under Title IV for a Vietnam Veterans Small business development outreach program. Perhaps this is an avenue that others can explore.

(4) recommendations

As the Boren study pointed out the SBA must make a decision concerning its commitment to the Vietnam veterans. If in fact this commitment is mandated for them through the Congress then they should be considering the following:

The SBA should establish linkages with the VVLP programs and provided better financial support for the Veterans Small Business Resource Councils.

The SBA should fund pilot SBDC specialty shop outreach projects; the program developed at the State University College at Buffalo merits serious consideration.

The entire series of thirteen studies should be made available to members of the Vietnam veteran community.

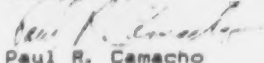
The SBA should be considering allocating resources or a sector of its operations to focus exclusively on assisting the truly small businesses. The idea of pooling several loans together under one umbrella guarantee was mentioned some years ago. Certainly the SBA could experiment with the idea.

The SBA should encourage the organization of a VESBIC, i.e. a Veterans Enterprise Small Business Investment Corporation.

By way of concluding remarks allow me to point out that the area of small business is viewed by the Vietnam veteran community as one of the principal avenues for social mobility. Vietnam veterans are not asking for handouts; they are requesting that the services which are purportedly available for them be in fact delivered. The issue of small business should cause no partisan difficulties. Simply put it is a center ice, staple issue.

In behalf of the William Joiner Center, at the University of Massachusetts I thank you all for your kind attention,

Sincerely,



Paul R. Camacho

cc:

Speaker Thomas P. O'Neill Jr.
Majority Leader Jim Wright
Chairman Nicholas Mavroules

Senator Kerry. Thank you, Paul. I think that is very important testimony. I wish more of my colleagues could have been here at this point to hear it, but I will assure you that the SBA folks will get highlighted copies of what you have had to say thus far because it is important.

Mr. Gurwitz.

STATEMENT OF HAROLD S. GURWITZ, VETERAN, LYNN, MA

Mr. GURWITZ. Thank you, Mr. Chairman, for the opportunity to come down here. My testimony is of a more personal type than the testimonies that have been given prior to mine.

I attended a meeting at Westfield State. It was a Vietnam veterans meeting across the State of Massachusetts. I was tipped off with information that there were funds available for starting a small business.

At the time I was unemployed, and I am married to an Asian woman, and we decided that it might benefit us if we could start a small business in the restaurant area. My wife's side of the family has quite a lot of experience in Chinese food, and I thought it would be beneficial for me to start with my hometown.

I went to the SBA with this idea and I was received quite graciously by the gentleman who interviewed me. He sort of gave me an indication from his deal in talking to me that it would be a good idea to put into progress, so I did, and unfortunately, the outcome was very negative.

I had the services, but I wasn't aware of the fact that the SBA provided assistance in drawing a proposal, so I went out of pocket and hired the services of two proposal writers in Boston, MA, who did this in the area that if I got the money, I would pay them, and if I didn't get the money then they would just do it and that is it. Unfortunately, they never got paid for the amount of time they put into this project, and I feel somewhat guilty as a result of that because if you put your time into doing work for somebody, you should get paid for it.

But I put together a quite professional proposal with the assistance of these people and through the office of Sam Black who is a tax lawyer in Boston who has a high reputation. I was told by the SBA that you have to go to five banks and if you are refused by five banks, then submit the refusal letters in—you have my proposal right in your lap as a matter of fact—submit the proposal and five letters of rejection and they would look into it and get back to you.

At the time that I first met the interviewer on the original walk into his office, he indicated to me that your idea is promising and he never stipulated to me that restaurants—what they are looking for. It is a high-risk area. That was what the culmination of this 5 months' work and the demographics stated in the town of Winthrop and the go ahead. He told me the underlying reality is that there is high risk involved with restaurants.

Senator KERRY. Did you ever check with them before you underwent—

Mr. GURWITZ. Yes. As a matter of fact, I was sort of given the green light by the gentleman that interviewed me originally. He

almost salivated over my menu. I told him I would have my menu which is a real indepth menu.

Senator KERRY. It is getting to be lunch time, I am afraid, and—[Laughter.]

Mr. GURWITZ. If I open up quick, we can all eat there.

You know, he really did. He gave me like the green light. I am sort of a pessimist, of course, and you have met me prior to this meeting here, and you know that I have an attitude and have had the attitude for quite a few years, but I really went full steam ahead with this idea because the gentleman sort of induced me to believe that, your idea is really great. I am really hungry. You talk about it. You have high energy. You seem to have all the proper requirements.

I have a lengthy background in wholesaling and retailing. My wife's family has quite an extensive background in Chinese food preparation. I met the criteria that they told me were necessary, like hiring Vietnam veterans to work in the restaurant. I was going to hire them on a part-time basis. I had a person who resided in North Vietnam who came to this country under the boat people program, whatever the name of that program is. He came here to find a new life. I was going to hire him. I was going to hire a person from my wife's side of the family who all had readily available skills in the restaurant business. My first cook has an extensive list of experience in the restaurant business, the Chinese food restaurant business.

Senator KERRY. I just want to interrupt you for a second. Was it the same person who turned you down?

Mr. GURWITZ. No, sir. I happened to have been run through the mill. I met one person one day. I went back and saw another person the second time.

Senator KERRY. So, no one loan person sat down with you and was attached to you and kind of gave you solid answers or said yes let's work on this together and took you through the process.

Mr. GURWITZ. No.

Senator KERRY. How many different people do you think you saw?

Mr. GURWITZ. I saw, I believe, three different people on three different occasions. That last person, unfortunately, delivered the blow by telling me the SBA isn't in the habit of granting loans to restaurants.

If I may add an item, as Paul indicated, they do refuse small amounts of money. I was only asking for \$40,000. My two partners and myself and, according to law, I was supposed to own 51 percent of the business which I did own on paper. They put up \$13,500. I borrowed \$13,500 from my family which I have put to buying a house now which is collateral they were looking for. We were willing to put up \$40,500 to take a risk on our own and ask for \$40,000. We were asking for less than we were prepared to put up on our own.

They said that that we had no collateral. That was the underlying point. On the frontispiece of their proposal, it indicates that all equipment, all nonpermanent fixtures, et cetera, were to be utilized as collateral. So what more collateral could they ask for? I don't have a Bank America card or a gold card. I am just a person trying

to establish a business, and I was refused by the fact that we had no collateral, but we were willing to collateralize every piece of property that would be a nonpermanent fixture.

Senator KERRY. Let me just for the record note—why don't you tell us a little bit about your history of being a disabled veteran?

Mr. GURWITZ. When I came back from Vietnam, I received a torn ligament and medial and lateral torn cartilage of the right knee. In 1968, at Fort Bragg, NC, I didn't have the full range of motion at the time that the military thought that I should have, so—

Senator KERRY. And this was in service that you received it?

Mr. GURWITZ. In service, yes. They force bent my knee. That is just to make a proper recovery of the full range of motion. Unfortunately, that stretched my ligaments and I have a continuing history of having ligament surgery.

I have been unemployed, off and on, since 1969. I have never had what you would consider gainful employment. I have been mostly hospitalized and recuperating and then hospitalized and recuperating, into college, trying to find some way by which I could have employment. I wasn't very successful in my endeavors in college and haven't been very successful in my endeavors in finding gainful employment.

Now, I am working for the Postal Service. I do my job, but it really causes me to severely injure my disability. It requires certain things that I really can't do at the moment. I do them because I have to, but I would really rather not have to continue to do these things which are more injurious to my disability.

During a period of unemployment, I felt it would be beneficial to me and my wife to try to find some form of employment that would enable me to have a successful life where I could pay the bills and feed my family. I came up with this idea because it seemed to be an idea that had credence. In the entire of Winthrop there was one restaurant that would have been my competition and they called that the sewer. That is just the nickname that the people in town gave the restaurant where the food is terrible.

So, I wasn't going to pick people by price gauging or anything like that. I was just going to give a high quality food.

Senator KERRY. With respect to the SBA piece of it, because I think your proposal speaks for yourself and I think you have articulated it clearly, from your perspective as a veteran, would you characterize the consideration that you got at the SBA as special?

Mr. GURWITZ. No. I would consider it like I am a point man and my company decided to terminate what they are doing. They left me out there all by myself. And it was not hand in hand or hand in glove and any hand anywhere near my hand. They just told me I had a good idea and to follow through, which is exactly what I did with the information I was given which was to go to five banks, draw up a proposal, see this tax lawyer, et cetera, which is all the stuff that I did.

I brought back this relatively well put together proposal. I was told by five different bankers that this is what we are looking for. This is the type of proposal we like to see on our desks. They are concise. They are informative. They touch base with everything we want to see. They took a demographic study, et cetera, and I walked into the SBA with this and the five letters of refusal all

typed up nicely, and this gentleman just like dismissed me preemptorily. See you later, Mr. Gurwitz, we don't have a habit of giving money to restaurants.

I feel clearly that they could have told me that at the outset. They could have given me a truthful analysis of my idea. We don't give money to restaurants; try to find someplace else. I put a lawyer through a lot of difficulty trying to negotiate with this woman who is renting me space to find an even amount of rent.

Senator KERRY. And you put money down on the space, right?

Mr. GURWITZ. Yes.

Senator KERRY. Which you never recovered?

Mr. GURWITZ. I spent approximately \$1,300 out of pocket which I have never recovered. I don't expect to recover it, but the SBA, in my opinion, did not give me the proper guidance or the proper information.

[The prepared statement of Mr. Gurwitz follows:]

TESTIMONY OF HAROLD S. GURWITZ
FOR THE SMALL BUSINESS COMMITTEE HEARING ON THE VETERANS LOAN PROGRAM

I am a 38 year old Army veteran who served with the 173rd Airborne in Vietnam from 1967 - 1968. I am also a disabled veteran due to injuries received while serving my country.

Upon my return from Vietnam, I attempted to reintegrate into society by working in my family's business in East Boston, Massachusetts; this was a wholesale/retail tobacco store. However, due to the difficulty I experienced when I returned home from the war, I found it extremely difficult to maintain a steady pattern of employment. At that time I was also operated on for the injuries stemming from the war and due to hospitalization and recovery periods I lost considerable opportunities to maintain gainful employment.

When I had recovered sufficiently from the second surgery, I moved to Israel where I lived and worked in a Kibbutz. I did this because I felt that I needed to find my self-identity. Unfortunately, I suffered a recurrence of the original injury to my knee and this required yet another surgical procedure. Therefore I returned to the States and was operated on four more times between 1970 and 1979. Due to all this major surgery, it became increasingly more difficult to have any kind of career that was in any respect meaningful or resulting in what one would describe as a career-track.

During this time, I had desires of obtaining a degree that would allow me to gain entrance to law school. I felt that due to my incapacity to work in physically demanding labor that college was the answer to my needs. I never finished college, and to this day I am still pursuing the elusive degree.

In 1978, after working in menial employment I took and passed the civil service examination for the postal service. I was hired in 1979 as a mail handler. After 11 months of working for the postal service, I terminated my employment and once again had a major reconstructive surgery performed on my right knee. While recuperating from this surgery, my then girlfriend, now wife, and I discussed the possibility of opening and managing a fast-food, high quality Chinese restaurant.

We were both excited by this idea because at long last we felt that this could be the answer to my long term quest for gainful employment. I hunted around for ideas and possibilities for financing this venture. At the same time, I was re-instated as a mail handler, subject to my satisfactorily completing another 90-day probationary period. On my 89th day I was terminated due to the postal

doctor's feeling that my service-connected disability would not allow me to perform my job requirements.

It was at this time, that my wife and I hired the services of a proposal writer to draw up a business plan for opening and managing the Chinese restaurant. We did this because I had been given information stating that the Small Business Administration had money available for disabled veterans with my circumstances.

I went to the SBA Regional Office at 100 Causeway Street in Boston and met with a counselor. He listened to my verbal proposal and said that he felt it was a very worthwhile business idea and encouraged me to follow through on a formal application to the S.B.A. He gave me brochures describing the money available and how to proceed in securing an S.B.A. loan.

I hired the services of two professional proposal writers to develop a sound business plan after listening to my verbal ideas. We met with these people three times in order to convey the updated information relating to location, equipment, population and other related data.

We hired the services of an architect, at a cost of \$600.00, to draw up remodelling plans for the location of the restaurant and the existing structure.

We also put a down payment of \$600.00 for the first month's rent on the business property. We never recovered this money. It was necessary to put the money up front to hold the property while we pursued the funds from the S.B.A.

One of the stipulations, as related by the S.B.A. personnel, was that we had to be refused by five banks before we would be eligible for SBA funds. We proceeded to apply at various banking institutions in our immediate geographical area and we were rejected by all of them. One of the banks, Boston Five Cents Savings, dispatched a loan officer to survey the location, conduct indepth interviews with my wife and I and even studied the demographic composition as it related to the business plan. He told us that he was highly impressed with our knowledge of the community and our overall proposal for the restaurant. Nonetheless, after a ten day period, we were refused a loan, thus completing the five rejections needed to qualify for the SBA program.

I went back to the SBA and after waiting for an hour in the outer office met with another counselor who looked over my proposal and letters of rejection. It was at this point that the man from the SBA told me that there was no SBA money available for restaurants because they (restaurants) were too high risk and most fell in the first year. His advice was for me to take a course in managing a business and come back when the course was finished.

After four years and a very intense period of 5 months preparing the proposal, I was completely frustrated and dejected. My whole experience with the SBA as a disabled veteran with a business proposal rated with merit, seemed to be a colossal waste of time and energy.

Senator Kerry. Let me just say we are running, unfortunately, way beyond our time period here. All three of you have lent a perspective and a reality to this that sometimes is missing down here. Frankly, it is the most important part of the process. I think there is obviously a lot more you could tell us. I don't want you to feel that at the end of this hearing that is the end of your telling it to us.

I think we would like to work with you closely. I would like to draw on your thoughts, Mr. Boren, with respect to those recommendations you made. I think they are sound, and I think we need to try to establish some kind of process of linkage to the SBA officials who have indicated a clear willingness to want to make this thing work to see how we can implement this so that your experience, Hal, is not the experience of record in the future, and you have spoken very clearly about it and I really appreciate that enormously.

So, I have to cut this panel off at this point in time, but I can assure you that the oversight process is going to continue as well as the input process to try to guarantee that future oversight will be less necessary.

Mr. CAMACHO. Mr. Chairman, is there any way that we can measure what has been done so far? Congressman Mavroules on the oversight committee on the House side talked to us the other day and said he would give us a hearing around the spring in April or May before the Speaker's conference takes place. We would have loved to be able to measure now and then on a hard—the same kind of hearing over on the House side held by our Mavroules and then do a now and then and see if anything has really changed.

Senator KERRY. Well, we are going to do that. I am sure that we ourselves—you have heard Senator Rockefeller say it and I reiterate it, and I am sure I can speak for Chairman Weicker and Senator Bumpers that our efforts here today are not rhetorical, and they are not floss for the press or anything else. We are going to watch this thing carefully, and we are going to try to establish some recommendations that we would like to see acted upon on the basis of your recommendations, and we will measure very carefully. I am sure I can speak for the chairman in saying that he won't hesitate to ask people to come back if there is evidence that these things aren't being done.

Oversight is an important aspect of what we are supposed to do around here. We are not supposed to just pass things. We are supposed to make sure that they are being implemented.

So, we will try to do that, Paul. I would be happy to work with you in seeing how we can best do that and make it happen.

Mr. GURWITZ. May I make a very brief correlation?

Senator KERRY. Sure.

Mr. GURWITZ. In the interim, between the time——

Senator KERRY. If it is as good as the substance you have given us, we will listen to it forever.

Mr. GURWITZ. Between the time that I was refused and now, other people have opened up a restaurant in the town of Winthrop to compete with the one that already exists, and they are doing extremely successfully. Somebody else got the funds from some other

private agency—I don't know where—and opened up a business and the business is really flourishing.

Enough said. Thank you very much for your time, Senator.

Senator KERRY. Thank you very much. We appreciate it.

Now we have one last panel, and I would like to ask if the last panel would like to come up here. We are going to do a very truncated version. The statements will be exclusively submitted for the record and we will accept those statements in full. What I would like to ask you to do—I know you have been very patient—is perhaps give each of you a moment just to comment and react to what you have heard thus far or to summarize your perceptions on it, and perhaps there will be a question or two, but we are really running disastrously overtime. I can't tell you what has happened to my schedule let alone yours.

Would you like to begin, Mr. Cullinan.

STATEMENT OF DENNIS M. CULLINAN, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

Mr. CULLINAN. Yes, Mr. Chairman.

I am Dennis Cullinan with the Veterans of Foreign Wars, and I want to thank you for this opportunity to present our views on this very important matter to veterans.

Our present perception is that those officials charged with implementing the mandated special consideration for veterans are people of good will and commitment, and we support the spirit and intent of Public Law 93-237, but we are concerned with the challenge posed in defining the two words in Public Law 93-237. We feel that has yet to be met.

I will summarize very briefly. We are in basic concurrence with my colleagues of the other veterans organizations, with their assertions that very much remains to be done. This is simply put. The SBA has been trying, or it seems to us that they have been trying. They haven't yet reached the goal of servicing our Nation's veterans.

Senator KERRY. You have had a lot of interaction with them in this effort?

Mr. CULLINAN. We have had discourse with them; yes. We have a member of the National Veterans Advisory Committee, and he has frequent traffic with them.

Senator KERRY. Do you have a sense that they have been cooperative with you in that effort?

Mr. CULLINAN. Oh, the SBA? Yes, basically.

Senator KERRY. Where do you think the breakdown is?

Mr. CULLINAN. Primarily it seems to be a problem with organization. There seems to be some confusion as to who is supposed to be doing what and when and where.

There is also the problem with the moneys which aren't getting spent. There are various reasons.

Senator KERRY. You have to have a plan to spend it.

Mr. CULLINAN. Yes. You need an outline. You need some accountability.

Senator KERRY. Which doesn't seem to exist.

Mr. CULLINAN. Yes.

Senator KERRY. I mean, I don't think anybody here in the Congress is asking them to spend money for the sake of spending it. We are asking them to spend it for a purpose, but if the purpose isn't defined and clear, how are you going to spend it?

Mr. CULLINAN. Sporadically or perhaps not at all, which seems to be the case, unfortunately.

[The prepared statement of Mr. Cullinan follows:]

VETERANS OF FOREIGN WARS OF THE UNITED STATES



OFFICE OF THE DIRECTOR

STATEMENT OF

DENNIS M. CULLINAN, SPECIAL ASSISTANT
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

WITH RESPECT TO

OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION'S
ACTIVITIES IN THE AREA OF SPECIAL ASSISTANCE
TO VETERANS

WASHINGTON, D. C.

NOVEMBER 13, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to present to this distinguished Committee the views of the Veterans of Foreign Wars of the United States with respect to the activities of the Small Business Administration (SBA) in the area of special assistance to veterans. The VFW is gratified at having been invited to take part in this hearing so that we may assist in improving the services offered veterans through the SBA's Office of Veterans Affairs.

Mr. Chairman, our present perception is that those officials of the SBA charged with implementing the mandated "special consideration" for veterans are men and women of goodwill and commitment. Further, we very much support the intent and spirit of P.L. 93-237. In addition, the VFW believes that the Office of Veterans Affairs is quite properly tasked with being an advocate for veterans in business and to manage efforts aimed at assisting the veteran entrepreneur.

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But we are also concerned that the challenge posed in defining those two key words of P.L. 93-237, "special consideration," has yet to be met. This assertion has been borne out by the agonizingly slow progress made in translating those words into positive, measurable action and results.

We take exception with the "Interface Blueprints," "Planning Modules" and "Impact Analyses" which have proliferated without results. For example, it is our understanding that the draft modification of part 116 of 13 CFR aimed at veterans has ricocheted around the SBA since 1982 without resolution.

We are concerned about a reported significant shortfall in the expenditure of funds allocated to the Veterans Affairs Office of the SBA. We have expressed that concern in an October 17, 1985, letter to the SBA Associate Deputy Administrator for Special Projects.

Although committed to the SBA's National Advisory Committee on Veterans Business Affairs, we have reservations about its present function. The VFW places emphasis on the word "Advisory" in the committee's title. The VFW views the role of the committee members as "elder statesmen," thoroughly grounded in veterans affairs whose mission is to counsel, caution and make recommendations on proposals placed before it. The impetus for carrying out the Congressional mandate for "special consideration" for veterans should come from within the SBA using the resources provided to it for that purpose by the Congress. We have some concern that a role reversal has evolved which tends to inhibit progress.

Although the SBA's role is ancillary to that of a staff appointed by the Executive Branch, we are particularly upset that veteran's issues were not included on the agenda of the 1986 White House Conference on Small Business. We have communicated our chagrin on that matter to our membership through our VFW MAGAZINE.

We note a paucity of statistical data that could be used to verify the effectiveness of veteran's programs or to surface areas where a remedial effort might be in order. The VFW would like to see tangible evidence that the SBA is carrying out the Congressional mandate to give veterans "special consideration." To accomplish this we expect that the SBA will refine its statistical data capability in order to enable the agency to gather and publish materials confirming the full range of its service to veterans.

We would ask for the continuation of the aggressive small business training program for veterans through veteran's business training and networking conferences.

Specific assistance to veterans in the preparation of loan application packages similiar to that available to minority groups and women should be provided. Knowledgeable and committed Veterans Affairs Officers should be placed at each SBA administrative and functional level. There is a need for the continuation and enhancement of publicity for SBA veterans programs including "outreach" efforts where needed. A positive program of action to ensure that the banking and financial community's awareness of the SBA commitment to veterans is continually reinforced would be very much in order.

Action to aid veteran small business entrepreneurs in obtaining a fair share of government procurement contracts is now essential. We believe that all Federal agencies should follow the Veterans Administrations lead in directing procurement offices to actively seek out capable small businesses owned and operated by veterans to increase their awareness about competitive contract opportunities.

While Federal agencies are prohibited from setting aside contracts for exclusive award to small business other than those identified by Congress in

the Small Business Act as socially and economically disadvantaged, agencies can take actions to increase the awareness among veteran-owned businesses with respect to competitive contracting opportunities.

The VFW is appreciative of the work done by the SBA on behalf of veterans. One example of a job well done is the successful Franchising Conference for veterans held in Orlando, Florida on September 20, 1985. We hope that this worthwhile "pilot" effort will be repeated throughout the nation. The VFW believes that when the as yet uncollated series of studies on veteran's issues commissioned by the SBA are finally brought together, reviewed and results disseminated, the SBA should be better able to clarify the directions that need to be taken to ensure "special consideration" for veterans.

The VFW recognizes that much still needs to be done with respect to the SBA and its activities for veterans. We believe the appointment of a director, as opposed to an acting director, for the SBA's Office of Veterans Affairs will be a step in the right direction toward achieving this worthwhile end.

Mr. Chairman, again we appreciate this opportunity to present our views on this matter of important consequence to veterans, and we commend you and this Committee for the fine work and effort in this regard. This concludes my statement.

Senator KERRY. Thank you.
Do you want to go, Mr. Mansfield?

**STATEMENT OF GORDON H. MANSFIELD, NATIONAL ADVOCACY
DIRECTOR, PARALYZED VETERANS OF AMERICA, ACCOMPANIED BY AL VIRELLAS, PARALYZED VETERANS OF AMERICA**

Mr. MANSFIELD. Yes, sir.

My name is Gordon Mansfield. I am the national advocacy director of Paralyzed Veterans of America.

In the interests of keeping things brief, I will—

Senator KERRY. You have a statement for the record?

Mr. MANSFIELD. Yes, sir. I would like to offer these two that have attachments with them, also, to make sure we are adequately covered.

Senator KERRY. Since the consent is the unanimous of one, we are going to do it.

Mr. MANSFIELD. Thank you.

I have about three things real quick. First, a thank you to you and the committee for holding these hearing and a special thank you to you as a fellow veteran and the other members of the committee who are fellow veterans that are looking out for the interests of all the veterans around the country. I think that is important in these times.

Again, getting back to the disabled veteran issue and more specifically for Paralyzed Veterans of America, catastrophically disabled, I think what we have heard here today shows that the Small Business Administration did not live up to the law that this committee passed. There was a period from 1974 to 1982 when nothing was done.

I think they got started on a good program, and there has been evidence of that. I think also the evidence shows with the veterans that once they did go look at least a little bit, there was a tremendous reservoir out there of veterans who wanted to get involved. I think it would be really bad, especially for the Vietnam-era veteran and for the disabled veteran, to find one more program after 10 years where they turn the spigot on a little bit and all of a sudden it got cut off.

I think part of the problem—we have heard the words of the agency people here speaking—but when you go looking for backup, you don't find very much of it. There have been some gentlemen here talking today and I think they have a commitment, but I don't think they can carry through with it.

This is a publication called "The State of Small Business, a Report of the President" done by the agency and transmitted to Congress in May 1985. There is one reference to veterans business in here, in a total of something like 439 pages, on page 419. It is easy to remember because it is the only one. On page 419, there is a reference to some study they did on veteran owned venture capital. That is the extent of what they transmitted to Congress.

One other point in relation to the catastrophically or disabled veteran. They did contract—and it was mentioned earlier—businesses that can be owned and operated by handicapped veterans. It is a fairly good book. It does have a lot of information in it on how

to get started to start a business, how to approach the SBA, and how to do a business plan.

I have a personal and a PVA concern. They have success stories in the back and they talk about individual A who is wheelchair bound because of a spinal cord injury and they talk about a business owner wounded in action while serving in the Marines who lost both legs. They talk about a 35-year-old paraplegic veteran. They talk about another 27-year-old paraplegic veteran. My problem with these is that five out of six of these individuals are putting in businesses and working in their own homes, either in a back bedroom or out in the garage.

PVA's national advocacy program is in business to get disabled veterans and, in fact, all disabled citizens out living in the real world. I would hate to see the SBA continue what I look at as an effort to resegregate disabled veterans.

I think it is especially important for the disabled veterans that they do some tracking and they set up some special programs, because not only do these individuals have to face the stigma of being a veteran, but they also have to deal with the problem of being disabled in a world that is not yet ready to accept them.

Thank you.

[The prepared statement of Mr. Mansfield follows:]

TESTIMONY

OF

GORDON H. MANSFIELD, NATIONAL ADVOCACY DIRECTOR
PARALYZED VETERANS OF AMERICA

Mr. Chairman and Members of the Committee, on behalf of the members of the Paralyzed Veterans of America (PVA), a congressionally chartered veterans' service organization, and all catastrophically disabled veterans, I would like to thank you for conducting this examination of Small Business Administration programs for our nation's veterans. I am Gordon H. Mansfield, National Advocacy Director of the Paralyzed Veterans of America.

My purpose is to provide PVA's concerns, interests and justifications to seek the support of this Committee and the Senate to extend appropriate programs through the auspices of the SBA to those who have answered our country's call to service in the armed forces. This hearing is one of a number on the SBA that PVA has participated in over the years. Unfortunately, we have not always been pleased with the services provided by the Small Business Administration -- especially to catastrophically disabled veterans -- and, therefore, have brought a skeptical attitude towards the Agency with us to those hearings.

We do, however, recognize that some of our concerns have been the result of budgetary pressures which have resulted in less than adequate budgets for the Agency over past fiscal years. PVA wishes to emphasize our belief that in light of the reductions now being discussed in this body, those programs which generate new business and new employment opportunities

should not be viewed as a drain on resources. Rather, these programs, such as the SBA, should be viewed as a way to expand the economy and the existing tax base. By taking advantage of SBA programs our catastrophically disabled veterans can become productive members of society and provide tax revenues to the government instead of being consumers of services which cost tax dollars.

With the continuing growth of emerging technology there exists now, and in the future, unique opportunities to allow individuals with disabilities to participate more fully in our economic mainstream. For example, the computer revolution has presented disabled individuals with the opportunity to work at home in their own businesses. PVA wishes to emphasize that this decision to work at home should be viewed as a possible dilemma; i.e. we would oppose efforts to re-segregate disabled people in their own homes away from society. However, the new technology gives the individual the opportunity to make such decisions based on economic factors of self-sufficiency as an outcome of the decision. This is one option now available. Modern technology also allows the disabled veteran more opportunities to work in an owned business in other environments.

The Paralyzed Veterans of America is a congressionally chartered veterans service organization. We have over 12,000 members located throughout the country who have incurred spinal cord injury or dysfunction -- either service connected or non-service connected in origin. The majority of our members can be described as catastrophically disabled individuals who use a wheelchair for mobility.

PVA was formed immediately after World War II. Prior to that time, the life expectancy of a person who had incurred spinal cord injury was three to five years. The major cause of mortality was not the spinal cord injury, but the resultant, associated medical problems, mostly internal infections. Medical advances during the war - such as penicillin and sulphides - led to the expectancy of a near-full life span for these new veterans. The nation's commitment to those who served also led to the development of new philosophies and techniques in rehabilitation medicine. The result of these advances was the possibility of a near-normal life span and a comprehensive system for education and training that would allow the disabled veteran to participate fully in our society. Our founding members had the foresight to visualize the possibilities that lay open to them. They organized into a national organization to ensure that the catastrophically disabled veteran was given an equal chance at obtaining medical care and participating in rehabilitation, training and education programs. Their goal was to return to being productive members of society.

Unfortunately, the promise and the possibilities have not yet been realized.

As the National Advocacy Director of PVA, I am still fighting many of the battles of our founding members. For example, the right of disabled veterans - and disabled citizens in general - to travel freely on commercial air carriers is currently pending before the Supreme Court of the United States in a case titled Department of Transportation vs. Paralyzed Veterans of America; the right to accessible housing is uncertain because the Department of Housing and Urban Development has yet to issue regulations;

mass transportation for disabled individuals is undecided for the same reason; medical care is uncertain because of continuing attempts to cut VA health care program budgets and the constantly rising costs of Medicare programs. And, the rehabilitation system - or systems - have failed miserably with regard to the catastrophically disabled.

It is especially ironic that those most in need of the services are the first to be denied services. And, I submit to you that the reason is that it is easier for the professionals and specialists to deal only with the "slightly disabled" who can be pushed through the "system" with a resulting high incidence of "case-closed - successful resolution" rates which make them look good. As a result of these failures in the various systems, PVA's members have had to fight a double battle to get back into American society - one battle to get adequate medical care and rehabilitation and a second battle to overcome the stigma of disability once they fought their way out of the hospital. Unfortunately, many did not get as far as they should have and could have if even minimum attention to their needs were given. Attention must also be given to the need for equal employment opportunities both as employees and owners of businesses.

The SBA from its inception in 1953 was often regarded as just another program which fell into the same category mentioned above in the minds of many catastrophically disabled veterans. Mr. James C. Sanders, the Administrator of the Small Business Administration, acknowledged this in his "Policy Statement - Special Consideration for Veterans of the Armed Forces," issued May 14, 1982. I quote from that statement: "While this record demonstrates a sincere effort to provide assistance to veterans, there has

been a steady increase of concern from the national veterans service organizations and committees of Congress that, in reality, veterans do not receive any "special consideration" as the law requires when seeking SBA assistance." And further: "While SBA programs are not entitlements or benefits in the traditional sense of other veteran programs of the Government, it seems clear from Congressional Hearings, SBA studies, and reports of veteran service groups, that this Agency must do more to assure that the men and women who served their country in the Armed Forces are provided every opportunity to utilize the services of SBA. Also, this is especially important for the Vietnam-era veteran who is just beginning to enter the economic mainstream in larger numbers, and the handicapped veteran whose circumstances are of special concern to this Agency and Administration (emphasis mine)."

That Policy Statement was a direct result of this Committee's prior activities to ensure that the agency actually provide the "special consideration" called for in law to veterans who applied for SBA loans. The record prior to 1982 was dismal for veterans and devastating for catastrophically disabled veterans. The special consideration language was from Public Law 92-237, passed in 1974 and virtually ignored for over seven years.

Mr. Chairman, PVA is especially interested in ensuring that catastrophically disabled veterans, such as our 12,000 spinal cord injured members, are given equal access to programs which will enable them to participate fully in the economic life of the United States.

With this in mind, PVA has been involved in a number of different ways to ensure that catastrophically disabled veterans are provided equal access to employment activities, including self-employment opportunities, as those provided to others in our society.

In fulfillment of this objective, PVA participates in a number of programs dedicated to veterans' employment issues. Among these programs are the Department of Labor Secretary's Committee on Veterans' Employment and Training, the President's Committee on Employment of the Handicapped (Committee on Disabled Veterans), the Veterans Administration Administrator's Committee for Employer Support of Veteran Employment, and the Small Business Administration's National Advisory Committee on Veterans Business. I am especially pleased to be accompanied by Mr. Alfred A. Virellas, PVA Associate Advocacy Director, who chairs the Subcommittee on Disabled Veterans of the President's Committee on Employment of the Handicapped.

PVA is especially pleased to have been involved with a joint effort by the President's Committee on Employment of the Handicapped and the Dole Foundation in producing the booklet "Disabled Americans at Work." This publication provides an excellent overview of disabled individuals involved in employment situations. While this publication emphasizes employees of businesses, PVA sees no reason why the abilities of individuals such as those depicted cannot be translated into ownership of businesses. We attach a copy for your review.

Additionally, PVA actively supports tax incentives, such as the deduction for removal of architectural barriers, Section 190 of the Internal

Revenue Code, which combined with other social factors provide opportunity for disabled citizens. SBA's efforts when coupled with other federal programs can also provide such cooperative government and private sector initiatives.

Regarding accessibility and job site modification, the SBA and Wright State University, in 1982, studied the effects of regulations on small business and federal contractors' compliance with Section 503 of the Rehabilitation Act. This study, "Regulation and Small Business Participation in the Federal Contract Market: The Effect of Section 503," is a detailed, 209 page report that was released in June 1982. Information for the report was gathered from questionnaires sent to 2,916 small business federal contractors, of which there were 7265 usable responses.

The SBA study not only identifies the types of handicaps found in the work force, but it also attempts to ascertain the cost of accessibility among smaller contractors. This is a very difficult task, since only a small percentage have come within the requirements of Section 503. However, where there has been modification of facilities to make them accessible to the handicapped, "the mean cost per contractor is slightly more than \$8,000."

After the issuance of the 1982 policy statement mentioned above the agency established an Office of Veterans Affairs. Special consideration is now defined by the agency as:

"involv[ing] designing management training programs specifically for veterans, processing veterans' loan applications before non-veterans applications submitted the same day, monitoring loan and procurement activities

to measure veteran participation, coordinating training and counseling activities with other Agency departments, and allocating a portion of Agency direct loans for veterans."

All veterans must meet the SBA standard loan criteria as any other applicant. They must show that funds are not otherwise available, show an ability to repay the loan from the earnings of the business, have sufficient equity in the business, and offer adequate collateral. All veteran owned business must also meet Agency size standards and not be involved with gambling, speculation, lending or relending, the media except TV and radio, or real property sale or investment.

For eligible applicants, SBA offers a broad range of loan programs, most of these loans are made by financial institutions and are guaranteed by SBA. Regular business loans are available to veterans on a special consideration basis. These loans usually do not exceed \$350,000, have a maturity of up to 25 years, and have a competitive interest rate based on the New York City prime rate.

Congress has authorized a special fund to enable SBA to make direct loans to Vietnam-era and disabled veterans. To be eligible, a veteran has to have served on active duty for more than 180 days, any part of which was duty between August 5, 1964 and May 7, 1975 or have a Veterans Administration (VA) rated disability of at least 30% and be entitled to disability compensation from the VA.

Veterans who apply for direct loans under this special Vietnam-era and disabled veterans program must meet the lending criteria for regular business loans. The ceiling for a direct loan is \$150,000 and no direct loan can be made if a guaranteed loan or other credit is available. The interest rate on these direct loans is the same as for regular business loans. An ability to repay, collateral, and other guarantees are required of the veteran application.

SBA also administers a Handicapped Assistance Loan Program. Handicapped veterans compete on an equal basis with non-veteran handicapped persons for these loans which have very low interest rates.

In light of the above changes in the SBA's attitudes and policies, I would like to comment specifically on PVA's view of SBA actions since 1982.

Keeping in mind the healthy skepticism mentioned above, I feel progress has

been made. The Director of Veterans Affairs' activities have started to address some of the problems veterans have faced in dealing with the Agency. Indications are that outreach to veterans has been increased and improved and, therefore, more veterans are applying for assistance from the SBA and receiving guaranteed loans or direct loans. Facts from the SBA indicate that veterans' participation in SBA's regular guaranteed business loan program has doubled since FY 1980 to FY 1985. The percentage of loans going to veterans has increased from 12.4% to approximately 25% of total guaranteed loans.

Also, the Agency has indicated that they believe no veteran has ever been turned down for a guaranteed loan due to a lack of funds. I would challenge this as a specious argument based on the fact that historically veterans have believed that when funds are not available the paperwork and red tape procedures are increased to ensure that no veterans are qualified to be turned down for loans. The Agency has indicated previously that they also have no record of a qualified veteran being turned down for direct loans because of a lack of Agency funding. Again, I would highlight the use of the word "qualified" and point out that the Agency can control the qualification factor and, therefore, keep their record positive.

PVA believes the SBA, through the auspices of the Office of Veterans Affairs has initiated good programs in the areas of management assistance and outreach. Pilot programs for outreaching Vietnam-era and disabled veterans were instituted. Conferences were held in a few major cities such as San Francisco, California, Columbus, Ohio, New York City, and Denver, Colorado. A state program was also conducted in Florida. The Agency reports these projects reached more than 2,500 veterans.

Also, during FY 1984 the Agency conducted thirty-two Veteran's Business Training and Networking Conferences throughout the country. Ten to fifteen thousand Vietnam-era and disabled veterans attended these conferences.

PVA believes the interest shown in SBA programs and the numbers of loans granted during the last three FY periods is a dramatic affirmation of what we have been saying for years. That is, that veterans - and especially disabled veterans - wish to participate fully in the economic life of the country. And, given the knowledge of programs available and the opportunity to participate they will take advantage of SBA programs in increasing numbers. Therefore, we urge this Committee to continue its work in ensuring that the Agency reaches out to Vietnam-era and - especially disabled veterans - and provides the special consideration which the law provides.

As a part of its outreach effort to veterans, the SBA has commissioned a number of studies on veterans and business. One of these, "Business That Can Be Owned and Operated by Handicapped Veterans," copyrighted by Associated Enterprise Development, Incorporated, of Annapolis, Maryland, was published in 1984. This is a manual-compendium of business ownership for handicapped veterans and other disabled people. This manual has information on starting a business - how to organize the effort, selecting a location and market, arranging financing; and developing a business plan - how to get training and general assistance, how to obtain assistance from the SBA and the VA; information on business regulation. It also includes information on different kinds of businesses - such as home based businesses, franchising and direct selling. Another section of the

manual reviews actual business enterprises owned and operated by the handicapped and outlines some success stories of handicapped business owners who have used their abilities to become economic successes.

I believe the success that has been shown since the SBA actually started emphasizing "special consideration" for veterans justified continued activity in these areas. If the programs are made known and emphasis on veterans getting loans followed through, then this system can work for veterans. However, I think it is time to consider what the SBA is doing for the catastrophically disabled veteran - PVA members and and others. A Veterans Administration disability rating of 30% or 50% does not compare with the catastrophic disability rated at 100%. Therefore, PVA would recommend that the Committee review its applicant files to determine what numbers of catastrophically disabled veterans are applying.

If, as PVA believes, the numbers are low, we feel some special programs to provide services to those individuals could be an excellent follow-up to existing programs for veterans. Using the information and expertise gained during the past three years, the SBA should: establish a Pilot Program for Catastrophically Disabled Veterans. This program should be directed toward veterans who are in the vocational rehabilitation process in order to give them the opportunity to direct their training towards small business ownership. This program should be geared towards both Veterans Administration programs and state vocational rehabilitation programs. The emphasis might first be focused on educating those who do vocational counseling on the availability of SBA programs in order to make them aware that business ownership may be a viable option for the disabled individual.

The next step would be to educate and counsel the veteran client of the vocational rehabilitation process. To be effective any program must be directed at the intake stage and those early parts of a program where decisions on future direction are being made.

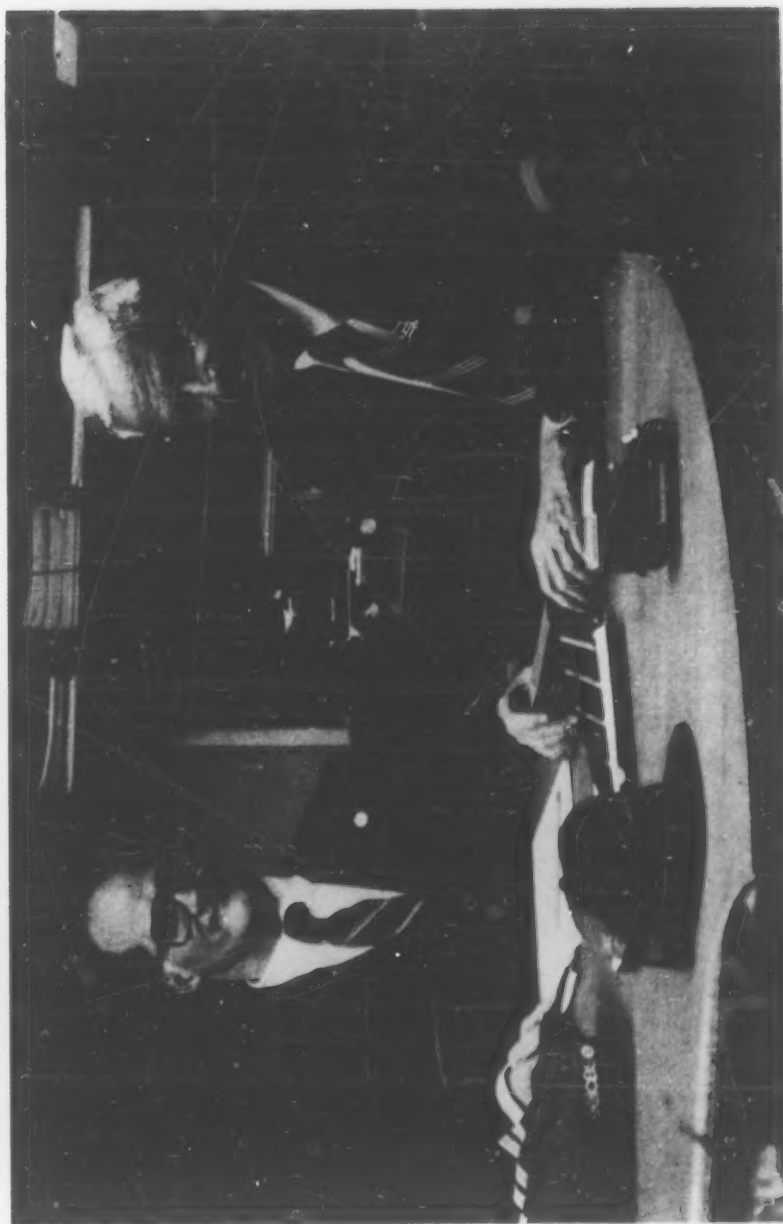
For example, PVA was successful during the last Congress in establishing a pilot four year program of vocational training for new non-service-connected disabled veteran pension recipients for a period beginning February 1, 1985 through January 31, 1989. A new veteran pension recipient under age fifty would be required to undergo a vocational training evaluation. New veteran recipients of pension who are fifty years of age or older would be permitted to apply for vocational training under this program. Veterans entering this program are limited to no more than \$2,500 in each twelve month period.

This program would be an excellent one for the SBA to work with in implementing a pilot program. The population is small and defined. The VA administers the vocational training evaluation and training program. The SBA could, therefore, work with the VA to ensure that the participants were made aware of SBA programs and the possibility of their training program being directed towards business ownership.

Mr. Chairman, this concludes my testimony and, I will answer any questions that I can.

Disabled Americans at Work

283



THE WHITE HOUSE
WASHINGTON



March 8, 1985

I salute the companies and the executives that are featured in this book, and call on those who read it to follow their lead in employing disabled Americans.

When we employ disabled workers we draw upon one of our country's most valuable assets: the skill, dependability and determination of disabled persons. The work record of these men and women makes you wonder what is meant by the term "disabled." Employers who hire them from a sense of duty soon learn they have made a productive economic investment.

Disabled people have made many vital contributions to our economy and to our society. We can expect them to make still greater contributions once the remaining barriers to their employment are brought down.

I am happy to have this opportunity to commend America's businesses for hiring our disabled citizens, and I congratulate disabled persons themselves for setting goals much higher than the obstacles that stand in their way.

Ronald Reagan



THE DOLE FOUNDATION

220 EYE STREET, N.E. • WASHINGTON, D.C. 20002 • 202 543 6303 (V/TDD)

March 5, 1985

I am pleased that the Dole Foundation has been able to help bring this publication into being. It is a celebration of the contribution of a group of Americans, a group best described as a powerful resource for society and for the economy.

All too often, working Americans who have a disability are portrayed as either heroic and superhuman or tragic victims of fate. The individuals described in this publication are simply working people who, along with their employers, have made some adjustments.

The people represented here are the tip of the iceberg--they are typical of millions of others, just as their employers represent thousands of companies, nonprofit organizations and government agencies. At the same time, millions of their fellow Americans who are also challenged by physical and mental impairments are not employed.

We know that employers are willing to do their part, and that there are programs of services to help those employers find qualified job candidates who have a disability. The Dole Foundation exists to help make this system more effective -- to expand and improve those services, and in some cases to create new jobs appropriate to people's abilities.

The Foundation receives contributions from individuals and corporations to do its specialized work: providing much-needed grants to existing community-level programs. We deeply appreciate the support of all who have contributed, and will contribute, to the Dole Foundation.

I hope this publication will challenge all of us to do more in developing this great American resource. We all stand to benefit: individuals, employers and the economy generally. We invite you to join in this effort.

Sincerely yours,


Bob Dole

Introduction

D*isabled Americans At Work* is a publication of people who speak for themselves. People who work. People doing everything from hi-tech to no-tech. People who get up in the morning, go off to their jobs, and come home in the evening to play with their kids.

People who happen to have disabilities.

People who are ordinary in every way, except for their extraordinary ability to perform. High productivity, low absenteeism, high job safety records and low turnover have been proven by people with disabilities throughout all industries in all types of jobs.

Disabled Americans At Work is also a publication about companies. Companies which have found that employees who are disabled make good employees. Companies which have found that being successful in business means using all the resources available, including human resources.

Disabled Americans At Work is the story of success in American business — business success and personal success.

Harold Russell

Chairman,

*The President's Committee
on Employment of the Handicapped*

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1

Dow
Chemical

Chemical

Dow Chemical Company actively retraining employees who become disabled. "In addition to hiring individuals with disabilities, Dow is committed to keeping workers on the job if they become disabled," says Edwin L. Bowman, Dow U.S.A. Equal Employment Opportunity Manager.

"Retraining is a type of accommodation which Dow is very willing to provide for its employees," Bowman says. When one Dow employee lost his vision, the company supported his return to school, allowing him to develop a new area of specialization. Now a manager, he travels throughout the U.S. and around the world in his job.

The idea is to keep employees productively employed. Department managers assist employees who have become disabled through rehabilitation programs and job restructuring.

After rehabilitation, the disabled employee may return to the former job or may assume a new position. People are placed into jobs which meet their individual capabilities.

"We don't try to come up with all the answers," Bowman says. "We seek outside information and consultation from the public and private sector so we're current on accommodations which can be made for certain situations."



Linda Davidson, a Dow Chemical Employee who has muscular dystrophy, discusses a computer run with a member of her staff.

Stauffer Chemical Company

W.R. Grace & Co.



David Rolens "plays a major role in keeping our projects on target," says Peter Cortes, head of Stauffer's Western Engineering.

David Rolens took David Rolens' eyesight in 1972. He was 31 years old. Stauffer Chemical Company was convinced there still was a place for David. His rehabilitation was encouraged by the company.

After attending a special school for the blind where he learned mobility, braille, abacus and general living skills, he returned to Stauffer in 1973.

"Based on David's past experience in our Design Department, management felt that he could do the job of purchasing and expediting engineering drawings from outside firms," says Peter Cortes, head of Stauffer's Western Engineering Center. "We were right. He's very motivated and plays a major role in keeping our projects on target."

Stauffer purchased a braille writer for David. He also uses a computer through a voice synthesizer.

"When you have a handicap like mine, you find ways to get around it and do the job efficiently," David says. "This takes imagination by the disabled person and management. The results for both can be rewarding."

At Stauffer Chemical Company, we have long recognized that handicapped people are a valuable source of skills. People with disabilities are looking for what we all are

Only one out of every three people has a keen enough sense of taste to be a taste tester. At the Dewey and Almy Chemical Division of W.R. Grace & Co., researchers must be certain that the sealants (for cans, bottles and drums) which the division manufactures will neither change the flavor, nor extract the flavor from foodstuffs.

Making this determination is the job of taste testers. They carefully examine the taste of foods which have been sealed with new products and compare them to control foods. The only sense important in this job are smell and taste.

Dewey and Almy has worked with the Massachusetts Association of the Blind to set up a screening program to identify and employ qualified taste testers who are blind. The program has been very successful. Currently four taste testers who are blind are on the panel.

People with disabilities have found employment at two other Grace companies. At the Orchard Supply Hardware division, the com-

pany has set aside positions in sales and warehousing for people who are disabled. The Formpac manufacturing unit works with the state-sponsored A.H.E.D.D. (the Association for Habilitation and Employment of the Developmentally Disabled). Several options for developing programs to hire disabled workers were examined before choosing A.H.E.D.D.

A.H.E.D.D. trains participants at the employer's work site, putting them to work in actual production jobs. The trainee moves through the program to full employee status while producing for the employer. A rehabilitation counselor/trainer acts as a liaison between the local management and the disabled trainee. The program places individuals with mental and physical handicaps into manufacturing positions not traditionally held by people with disabilities.

looking for — an opportunity to use their skills and abilities in a productive capacity. Stauffer is committed to giving qualified individuals with disabilities the same employment opportunities as all other job applicants and employees.

"As a result, Stauffer has many employees with disabilities who are doing an excellent job. We have directly benefitted from their contributions to our growth and success."

H.B. Morely
Chairman and
Chief Executive Officer

Communications

"When I started at GTE, I decided the one thing I didn't want to be was a manager. I've been one ever since. I move to get away from being a manager, and boom, no matter where I go, I end up as a manager. So I'm sort of resigned to becoming a manager."

"I've reached a point in my company that whenever new projects come up, if I want them I can have them. I once had four choices within one week. I have offers all the time, so I really have total access to whatever I want to do within the corporation."

"I guess as far as work is concerned I don't feel handicapped. I don't think I've ever been promoted or given a salary increase because I was handicapped, or on the other hand, I don't think I've ever been denied one either. I know I would not have stayed at GTE for 27 years if I thought otherwise. However, I have to admit there are some benefits: reserved parking, meetings held in convenient places, traveling first class. Probe: "by one of the key advantages is that I stand out in a crowd. I am easy to remember. What are the problems? It's easy



AT&T

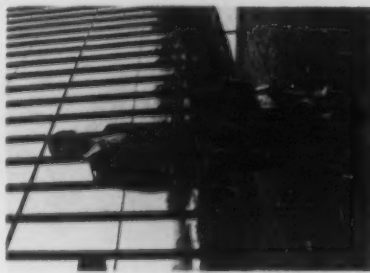
to talk about problems and give exercises, but what it really comes down to is desire. I wanted to work and I didn't want special treatment and that's what I got. The best compliment someone can pay me is to forget I'm handicapped. GTE has done just that."

A. Frederick Rose
Manager
Software Technology Department,
Communications Systems Division
GTE

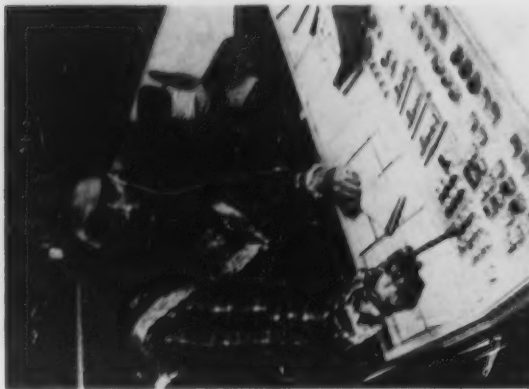
"GTE has for a number of years hired persons who have been traditionally classified as handicapped. Our experience has been outstanding."

Bruce Carswell
Sr. Vice President - Human Resources
GTE Corporation.

Mrs. Bell always looked for the innovative and creative. She created Bell Labs and direct dial long distance. She also created an innovative approach to employing people with disabilities. Since the break-up, AT&T and the many new regional companies have continued in the way 'Ma' brought them up.



James Kutsch and Sadie Kutsch outside AT&T Information Systems Laboratories. The company feels Sadie is so important that her name appears right below Kutsch's on the door.



Tina Heath works as a telephone operator for AT&T Communications. She keys in numbers on the operator's console with a pencil.

AT&T Information Systems Laboratories (formerly part of Bell Labs) employs James Kutsch as a computer scientist. Eyesight and several fingers on one hand were lost in a high school chemistry accident. Kutsch went on with his academic career. In graduate school, he invented a talking computer terminal. It was his alternative to having sighted undergraduates read his computer printouts to him. With a voice synthesizer driven by phonetic codes, the computer reads words, punctuation and spaces. AT&T now puts Dr. Kutsch's computer skills to work designing automated office systems.

AT&T Communications still brings people together with long distance operators. Tina Heath is an operator in Little Rock, Arkansas. Due to paralysis from the chest down, Tina cannot use her fingers. Aided by a hand brace, she keys in telephone numbers on the operator's console with a pencil.

ITT

The people of ITT have long reached out to train and provide jobs to people with disabilities. This commitment is worldwide. The ITT Composants et Instruments plant in Meaux, France, was designed specifically for workers with disabilities. Nearly 10 percent of the workforce at the plant, both administrative and production, are disabled.

ITT's Hartford Insurance Group employs many workers with disabilities. Barbara Budrow has worked for the insurance company for 23 years. She has found that her deafness has not affected her work in the bond department at all.

Linda Chaney has spinal bifida. She has worked at ITT Courier as a receptionist and as a CBS operator. She credits the progressive attitudes at Courier for helping her toward a full productive life.

Workers who are blind are helping ITT from Mississippi to Zambia. In Corinth, Mississippi, sighted and non-sighted people work together to assemble telephones.

Throughout the world, ITT has found that people with disabilities are good employees.



Blind computer programmers work for ITT in Zambia

New England Telephone

New England Telephone has 'come a long way' in its program to help people who are disabled," according to its Coordinator of Handicapped Affirmative Action Programs, Tom Andruskevich.

"That's because this is a company-wide effort. From the executive office down, the company encourages its

employees to look beyond an individual's limitations and concentrate on his or her capabilities."

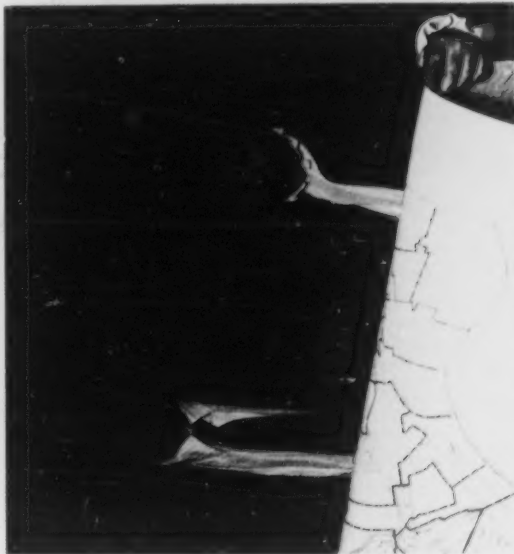
Six-day work weeks, including extra evenings, are not unusual for Doreen Smith, a New England Telephone engineer. Her first position at the company after college graduation was a field job. Among other

duties, she had to descend ladders into manholes. Although she didn't always cherish the idea, Smith simply set aside her metal crutches and climbed down.

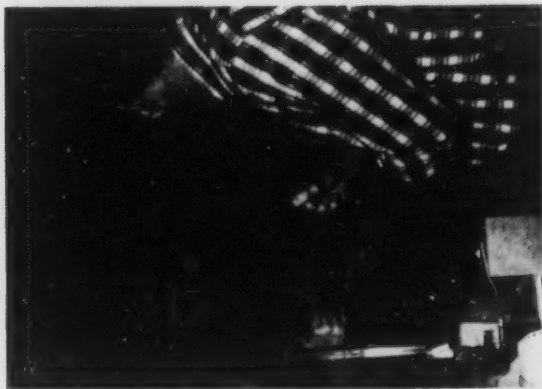
"I got polio during the epidemic in '55," Smith says. I'm very lucky, though, now I only have to use crutches. When I started the field job in 1978, not only was I a woman engineer, but a "four-legged" one. Men in the field were often more than a little surprised to see me arrive at a work site."

Eventually, she was promoted to a less mobile engineering job. She still works long hours, but somehow finds time to study business management through the Harvard College Extension Program.

Having worked with Smith for only two months, Manager Lee Curtis already has definite thoughts on her abilities. "Doreen's productivity is as high as anyone else's in the office, and she's a pleasure to work with. She — like the other handicapped people I've met — seems to have the attitude that 'I'm not special.' She dispels some of the prejudices held by people who don't know individuals who have a disability. It's been a very positive experience to work with her."



New England Telephone Engineer Doreen Smith says, "It's natural to be hesitant about hiring a handicapped person. But don't be afraid you can't cope. You can." Here she confers with Manager Lee Curtis, left.



New England Telephone Clerk, Jim Hampson and his supervisor, Jinx Callinan (left), by writing and signing, the two have no trouble communicating.

Computers And Electronics

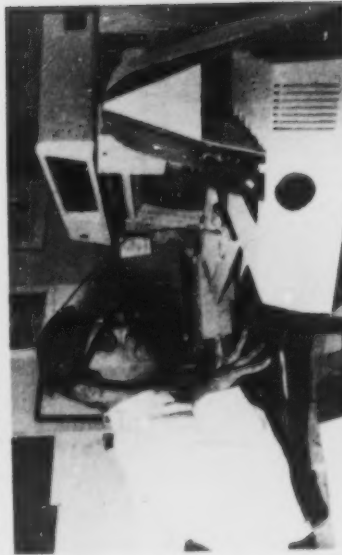
Honeywell

Honeywell is entering its second hundred years in business believing that people are key to its success. The company's Enabling Technology Task Team has developed a pool of volunteers to work with disabled employees and people from the community. Together they identify and develop technologies that will assist people with disabilities to lead more independent work and social lives.

Many divisions of Honeywell have developed programs that fit the needs of employees with disabilities. The Corporate Information Management Division uses severely disabled home based operators to handle

assisted calls for the Honeywell Communications System. Other divisions have computer programmers and analysts who work from their homes.

Joseph P. Hogg is a technical specialist in the engineering and computer science divisions at Honeywell Information Systems. He has worked for Honeywell from his home since 1976. Born with cerebral palsy, he cannot speak, walk or move his arms. He uses a pointer attached to a cap to communicate via a word board. The cap and pointer were specially designed by Hogg's father.



Joseph Hogg works on a Honeywell computer aided by the pointer designed by his father.

Sperry

"Even before the Affirmative Action requirements, hiring disabled people made sense and was good business. No company is insensitive enough to suggest they are not interested in the plight of people with disabilities. To do so would be like a company suggesting they are not interested in employees. The key issue is, however, just how a company executes its policy."

"As a general rule hiring is not done by top executives — it is done by an employment representative charged with filling necessary jobs as soon as possible with the best possible people. Too frequently in this type of environment, the employment interviewer may be tempted to see the handicapped individual as an additional burden as opposed to an opportunity."

"The real test of the company policy, therefore, is whether or not the people who actually will do the hiring — the employment interviewers and subsequently immediate members of supervision — have been educated enough to realize, not only the benefit the company will gain from hiring a handicapped individual, but the humanitarian achievement which can be obtained as well."

"Once an individual has participated in the selective placement of a handicapped individual and sees the



Jim Drumheller, blind since birth, is a programmer on large-scale computer systems at Sperry Corporation's Information Systems Group, Blue Bell, Pennsylvania. He uses a voice display device to communicate with the Sperry computer.

humanitarian as well as economic results, there is never any difficulty in retaining that commitment and extending it to others."

Michael R. Lacey
Staff Vice President
Personnel Relations
Sperry Corporation

4

Consumer Goods and Services

Philip Morris

Twenty-five years ago Philip Morris ranked sixth among America's six major cigarette manufacturers. Its management realized that climbing to the top would take superior quality in both products and people. To get top people, the company recognized a basic principle: "You cannot get the best people if you start by excluding anyone on grounds not related to work — race, gender or disability."

Recruiting and training and designing workplace accommodations are only part of the Philip Morris plan. The company also remembers the needs of disabled people when creating products — as in Mission Viejo housing.

James Carver already used a wheelchair when he joined Philip Morris U.S.A. as a Central Monitoring Technician. His first "office," while the Philip Morris Operations Center was under construction, was in a trailer. It was easy to help Carver maneuver through the construction site: a ramp was built and the area from the trailer to the parking lot was blacktopped. Now in charge of environmental monitoring for the Center, Jim works at a desk and control panel built high enough off the floor to accommodate his wheelchair. A ramp permits him to move from floor level to his work station.

Billy Greer did not have the physical mobility to return to his job as a fork lift driver after a severe hip injury in a motorcycle accident. Data processing interested him. He pursued it while convalescing from the accident. That dovetailed perfectly with the efforts made to accommodate his condition through the Philip Morris medical accommodation program. He applied for a data processing job at the Stockton Street factory, and has made a successful transition to a new career.

At Philip Morris U.S.A.'s newest and most technologically advanced



Billy Greer became a data processor at the Philip Morris Stockton Street factory in Richmond, VA, when injured from a motorcycle accident kept him from returning to his job as a fork lift operator. Here, he receives direction from Joyce F. Christoph, Supervisor of Administration.

Miller Brewing Company

Our doors are open to people of all abilities in our search for creativity and productivity. We put no limits on our expectations, and we take pride in our employees' accomplishments.

It is difficult to classify any of our people as handicapped. We work with each individual as outlined in our corporate policies, if special accommodations are required. Beyond that, they take equal positions with their peers. We welcome their contributions and encourage their employment at Miller Brewing Company."

William K. Howell
President and Chief Executive Officer
Miller Brewing Company



James P. Carver

wheelchair entry; hallways permitting easy wheelchair maneuvering; kitchens and bathrooms that allow wheelchair access; and bathrooms with wall studs spaced to accommodate support rails.

In these and other communities, Philip Morris seeks capable and productive people, and is finding that people with disabilities can fill the bill. According to Philip Morris, "Our reward is in the bottom line. Like the rest of our work force, Philip Morris people who overcome illness and disability are helping us stay on top. We need their contributions."



James P. Carver, an engineering technician at the Philip Morris Operations Center in Richmond, VA, monitors environmental controls at a computer desk designed to accommodate his wheelchair. With Carver is Carl Resher, Supervisor of Electrical Maintenance.

The Mission Viejo Realty Group is Philip Morris' operating company which specializes in planned communities and residential construction. The company established design criteria to accommodate disabled residents without increasing housing prices or reducing the beauty of the home. Among the features are doors wide enough for

cigarette plant, hearing-impaired applicants compete for manufacturing jobs with the assistance of sign language interpreters during screening interviews and physical examinations. To prepare for hiring persons with hearing impairments, supervisors undergo awareness training that includes the basics of sign language.

Eastman Kodak Company

Bill McGrath has been a computer programmer and systems analyst at Kodak since 1972. His job requires him to attend meetings with Kodak clients in several different buildings at the Kodak manufacturing complex. In the initial stages of his multiple sclerosis, which began in 1978, McGrath used a motorized cart to get around. Now he has a motorized wheelchair. Though the company offers him the ability to work on his personal computer at home, McGrath rarely stays home. Hearing him speak about what a job means to him gives a good clue to his dedication. "The dignity of a handicapped person depends on being able to be plugged into the world in some way, and for many of us, our job is the key element."

"Sure, there are many accommodations that have been made to let me fit in, but they are just tools to let me do the job," McGrath said. "I may need more tools than a non-handicapped person, but give them to me and I can do the job as well as anyone else."

Bill McGrath carries programs for the Kodak computer system.



Kodak assembler Joseph Romano has used a wheelchair since early childhood.



Sears

As manager of the program for employees with disabilities in Sears' personnel department, Paul L. Scher is familiar with situations faced by disabled persons. His familiarity goes beyond the professional level. He is totally blind. In 1968, glaucoma caused his loss of sight.

According to Scher, on-the-job accommodations for disabled employees are simple, requiring few changes and little expense by adapting equipment at hand.

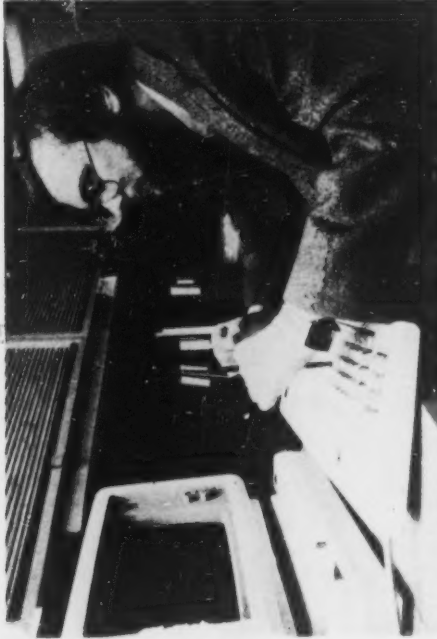
Ordinary pencils held in hands that have limited movement are the simple accommodation helping Dave Yost do his job. Limited mobility due to quadriplegia does not affect his work as a computer programmer for Sears' merchandise information systems. "It may take longer to get where I'm going," explains Dave, who moves about in a wheelchair, "but the bulk of my job is in my office, with information close at hand."

Discussing employee success stories, Scher combines empathy with objectivity. He feels "a job match is a result, not a method. It only looks like a match when a person is doing the job." Paul speaks of a variety of jobs held by disabled Sears employees across the country. He emphasizes that a similar disability does not always affect two people in the same way and that job options should not be limited unnecessarily.

American industry finds itself with an opportunity—a rich resource in those 35 million Americans described as disabled. Hiring and training men and women who are disabled is clearly a plus for companies, for those eager to help themselves, and for our economy.

Colby H. Chandler, Chairman and Chief Executive Officer, Lastman Kodak Company

Continental Grain



"We try harder, perhaps because we have more to prove. We need to prove that we can do the job as well as, if not better than, anyone else," says Dave Yes!



William Turner starting a mail round.

Twenty-three year old Larry Johnson and twenty year old William Turner are employees in the Office Services Department of Continental Grain Company. Larry delivers envelopes and packages in midtown Manhattan. William makes the rounds as an inter-office mail clerk. Both are successful and conscientious. Both have handicaps. Larry Johnson is autistic. William Turner has a learning disability.

Larry and William came to Continental Grain from Job Path, a service run for persons with disabilities. Job Path provides classroom teaching, career counseling and placement.

When not working, Larry is a degree student at the School of Business at Baruch College, and often studies or reads during his lunch hour.

William Turner (pictured) has worked as a messenger and print shop assistant, as well as a mail clerk since May 1984. He is working to overcome his reading difficulties and hopes to obtain an equivalency diploma (GED).

Supervisor, Ray Shawney, who supervises the mail and the print and office supply staff says, "Generally

there are no exceptions I have had to make. There are no special accommodations made. I observe more than guide. The workers on my staff teach each other."



Paul Silver reads at his desk in Sears Tower as the Optacon converts printed words to vibrating images.

Motion Designs

In August, 1978, Marilyn Hamilton, an avid skier and hang glider pilot, plunged 100 feet to a rocky cliff while hang gliding. The injury to her spinal cord left her paralyzed from the waist down.

"Six years ago, I wouldn't have believed that I'd be in a wheelchair. But, I had a hang glider accident and ended up in one. At first, I thought my life had ended, but it hadn't. It just changed. I'm the same person I was before the accident. I just have to do things differently now," says Hamilton.

Doing things differently didn't just mean changing from the way she used to do things, it also meant doing things differently from the way the majority of people using wheelchairs were doing them. "I was determined to keep up everything I could and then some," she recalls. "But, I simply couldn't do what I wanted to in a conventional wheelchair." Unwilling to give up her active lifestyle, and sorely disappointed with "state of the art" wheelchairs, she turned to some hang gliding friends for help.

Jim Okamoto and Don Helman had been designing hang gliders in a backyard "garage" for some time. Marilyn approached them to help her

design a wheelchair that would give her the freedom which conventional chairs could not. Motion Designs, "Where Miracles Never Cease," was born.

Most wheelchairs are not well adapted for tennis, a favorite sport of Hamilton's. So the three worked to create a wheelchair with the maneuverability for the sport. Okamoto and Helman gave up designing hang gliders and began using hang glider-type aluminum alloys in the construction of wheelchairs for athletes.

"The industry said it couldn't be done," explains Marilyn. Without compromising safety or integrity, the three set out to prove the industry wrong... and they did. Working with medical professionals and other people with disabilities, they perfected the chair they call the Quickie.

Now with over 70 employees, Motion Designs builds nearly 100 chairs a week. With six basic models and a wide variety of accessories, all interchangeable on all models, the chairs can be custom designed to meet the needs of any person who uses a wheelchair.

With the freedom allowed by the Quickie, Marilyn Hamilton has been able to pursue her focus on sports, most notably in tennis and skiing.



Marilyn Hamilton's athletic and business skills are recognized on and off the court.



She is a two-time winner of the National Women's Wheelchair Tennis Championship in both singles and doubles. She is also, for the fourth consecutive year, the National Women's Singles Champion. When not competing, Marilyn spends her time promoting Motion Designs as director of advertising, marketing and promotion.

Procter & Gamble



At Procter & Gamble, "says Sam Pruett, Vice President, Personnel, "we need top-quality people who grow with the company — who are interested in a long-term career with P&G."

P&G is committed to hiring people with disabilities and also to rehabilitating any employee who becomes disabled as a result of illness or injury. That keeps productive, talented employees with the company.

"If, for example, we lose a 15-year employee as a result of a handicap, we not only have a personal loss but we lose the time and training that has been invested in that person, as well," Pruett says.

"Our first priority in rehabilitation is to get the employee back to work on the job he or she held when the disabling illness or injury struck," says Jim Palmer of the P&G's medical department.

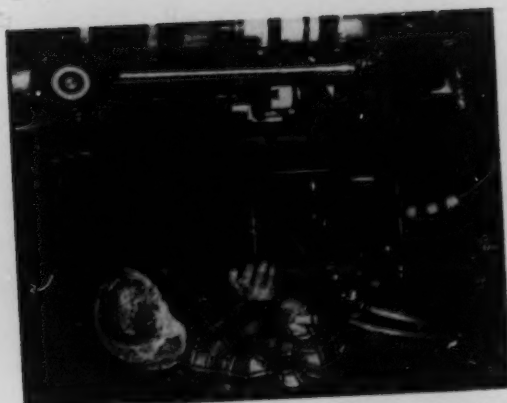
"No matter where the rehabilitation process leads us, our goal is always the same: to get people back to work," Palmer says. "Last fiscal year, every employee disabled as a result of injury or illness returned to work and continues to contribute to P&G."

P&G also seeks out disabled people who can contribute to the company. "People with disabilities are a resource of talent that P&G as a competitive company cannot afford to ignore when seeking new employees," says Pruett.

Talent is what the company saw in Robert Clement when he applied for a position at P&G's Folgers Coffee plant, four years ago. Clement, disabled as a result of polio, currently works as a technician. He has responsibilities in the plant's packing department as well as in the warehouse.

"Throughout my life, my biggest handicap hasn't been the crippling effect of my bout with polio, but the negative attitudes people have had towards me," says Clement. "At P&G's Folgers plant, I felt the need to prove myself, just as any new employee does. But I never felt as if I had to prove myself because of my handicap," he says.

Pruett explains, "We believe that our program is not only good for the disabled people involved, but also for the growth and strength of our organization."



Robert Clement checks machinery cupping instant coffee jars.

United Airlines

The Special Assistant to the Chairman and Chief Executive Officer of United Airlines has used a wheelchair since childhood due to muscular dystrophy. Robert G. Sampson, an electrician, Vice President, rose through the ranks of United from the law department to his current position.

Sampson joined United Airlines Law Department in 1956. He was elected Vice President of Property in the airline's Control Division in 1966. In 1975, he was named to his central division post with additional duties as Special Assistant to the President of United Airlines.

Sampson received the Horatio Alger Award in 1980 (the first disabled person ever to receive this award) for his nationally recognized efforts in behalf of the disabled people. He also holds the Federal Aviation Administration's Distinguished Service Award for activities in transportation on behalf of people with disabilities and the elderly.



Robert Sampson, Vice President and Special Assistant to the Chairman of United Airlines.

David Dimm was hired by United in 1966. At that time he wore a leg brace on both legs and used a cane to get around. He typed and wrote longhand, but it took some effort. Surgery to remove a growth on his spinal cord in 1964 was the cause of his disability.

In 1972, further surgery was necessary. The surgery left David using a wheelchair to get around. His fingers stiffened, and it became increasingly difficult to type. By 1981, he was no longer able to use his fingers. He now types with pointers.

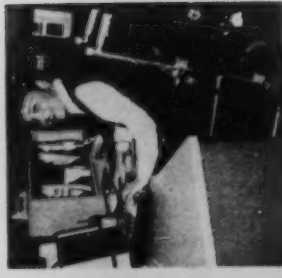
But pointers have not slowed David's productivity. He turns over a better than average share of calls. A capable employee, he keeps up with the demands of his job.



David Dimm takes reservations at United Airlines.

Daily sales and service of United's product to more than 100 customers is no problem for Reservations Sales Representative, Sherry Falkenberg. She has worked for United Airlines for the past six years. Muscular dystrophy and a wheelchair don't inhibit her work.

"Management and fellow employees have been supportive and concerned regarding my well being," says Sherry. "Though it has been challenging and difficult at times, it certainly was worth the effort. It has given me the encouragement to be successful in any and all aspects of my life."



Sherry Falkenberg receives numerous letters of praise. In one particular instance, a traveler was so pleased with her assistance that she received a bouquet of roses in thanks for her efforts.

General Mills

The Wheaties Box, once reserved for the likes of Babe Ruth and Mickey Mantle, has now sported outstanding wheelchair athlete, George Murray. This is a signal that disabled athletes are being recognized at last. General Mills, the marketer of Wheaties, recognizes that people with disabilities are a lot like the folks next door.

Upon receiving the recognition, Murray was quick to separate notoriety from lasting significance. "My mom thinks it's really great," he said. "But what is really significant is the recognition it provides wheelchair athletes. It's a coming of age. We're going to be judged on the quality of our performance."

Dixie Lindsley, Director of Equal Employment Opportunity programs at General Mills says, "In the space of just a few years, awareness of the needs and the abilities of disabled persons has grown dramatically. What's happened to this company has happened on a broader basis throughout society. We're talking about a change in people's thought processes, moving from a position of what we can't do to what we can do."



Outstanding wheelchair athlete, George Murray.

Elizabeth "Buffy" Fetter is a Market Research Assistant in the Betty Crocker Division of General Mills. Marketing Research brings the consumer perspective to the marketing process. Buffy checks products before they are sent out to consumers.

5

Energy And Utilities

Washington Water Power

Commitment, productivity and results - Washington Power Company demands this from all of its employees. It supports this demand with a commitment to place each individual in a position which taps his or her potential to the greatest extent.

Over the years Washington Water Power has found that job candidates who are disabled are frequently more willing to work and to adapt than other applicants. The company believes that an individual's "will do" qualifications are often the most critical determinants of job success.

Craig Thomas was hired as a draftsman because he was qualified and has a high "will do" attitude. A Vietnam veteran who lost both legs during the war, Thomas has moved into areas where most might think a disabled person could not go.

Within a year and a half of becoming a draftsman for Washington Water Power, he was promoted to a position of an on-site construction coordinator for some of the utility's major stream distribution projects. Performance led to another promotion as a Control Analyst on a power plant construction project. Both jobs required working at the construction



Craig Thomas, Control Analyst,
Washington Water Power

site. No formal restrictions were made at either job and only moderate accommodations were made for him. He knew his physical limitations as far as mobility and safety were concerned. His performance again led to promotion. He is now a buyer in the Purchasing Department.

Craig Thomas' determination does not end at work though. He has remodeled his home, dug by hand his own swimming pool and is an accomplished scuba diver. Washington Water Power believes that by allowing people to reach to their potential, both the employee and the company will profit.

Baltimore Gas And Electric.

"I don't have a disability! I have a slight inconvenience!" These are the words of Joseph J. White, an Electric Distribution Technician for the Baltimore Gas & Electric Company. Joe develops constructions standards and specifications for materials and equipment used on distribution lines. He lost his right arm and right ear in an accident while working as a line mechanic.

He was fitted for a device developed for individuals with high amputations - The Boston Arm. After eight weeks of learning the mechanics of the arm's operation, Joe was prepared to return to work.

Baltimore Gas & Electric worked with him to find a position that would make use of his skills.

Joe feels that the company has done more than was required. He says, "Family, friends, co-workers and a company committed to helping me succeed have encouraged me to get on with my life. The rest is up to me! It might take a little longer - but I always manage to accomplish any task I tackle!"



Born with glaucoma, Carol Foese completely lost her vision at the age of fifteen. She is a computer programmer with Baltimore Gas & Electric. She works with a Braille printer.



Joseph White using the Boston Arm in his job as an Electric Distribution Technician.

Pennsylvania Power And Light Company

When Pennsylvania Power & Light Company planned to go from bi-monthly to monthly billing it determined it would need 12 additional part-time workers to sort through the larger volume of electric bill payments. Twelve people with disabilities were hired from Good Shepherd Home, a vocational rehabilitation center in Allentown, Pennsylvania. In the company's Cash Receipts section, they sort the thousands of bill payments that arrive daily.

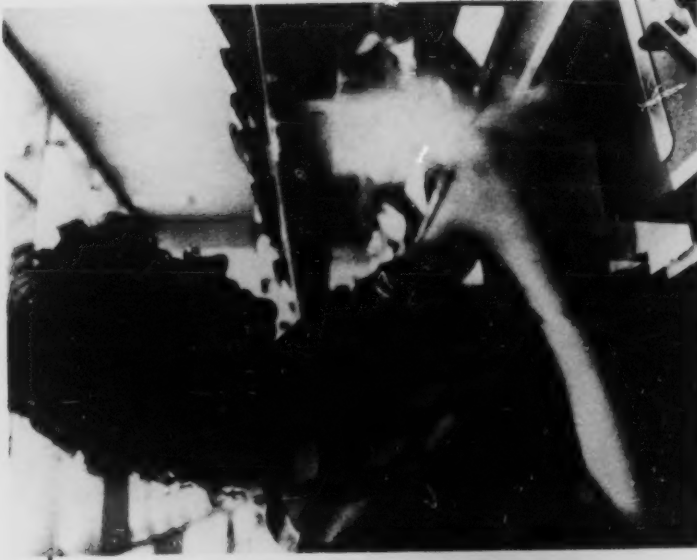
The part-timers, who have various disabilities, are given less than four seconds to sort the contents of each envelope into one of nine categories for further processing. The group sorts about 100,000 bills each week, as many as 40,000 of them on Monday.

"Some of our workers were apprehensive about competitive community employment, so this job is their crowning achievement," says

Mary Louise Wagner, the Good Shepherd liaison who supervises the employees. Many workers will go further, finding that this job was a bridge to competitive employment." Janice Williams, the company's manager of Placement and EEO Program states, "We judge applicants by how well they can fulfill the responsibilities of a particular job. If a qualified applicant happens to be disabled in some way, we try to accommodate by making adjustments in physical equipment or job responsibilities."



Roberta Horne checks a bill stub before sorting it into one of nine categories for further processing.



Kelly Conklin's hands are a blur as she sorts one of the thousands of bill payments that arrive at the PPL's daily.

Montana Power Company

We have never hired anyone solely because he or she has a disability," explains Blair Ricks, Montana Power's Director of Employee Development. "The individual must be the best qualified of all the applicants." The power company works with Montana Rehabilitation Program to identify individuals to fill job vacancies.

John Shea is a computer software engineer with Montana Power Company. He also keeps records for the relicensing of Montana Power's numerous radios throughout the state. As a result of an auto accident, he is paralyzed from the waist down. He has limited mobility in his hands.

"It's taken me 25 years to develop this much control with my hands," he said. He has no problems writing or working with a computer terminal. "When I first started working I'd use rubber bands to hold a pencil so that I could write."

John refuses to let a "minor inconvenience" of a wheelchair keep him from doing exactly as he wants. "I've never been one to give up," he

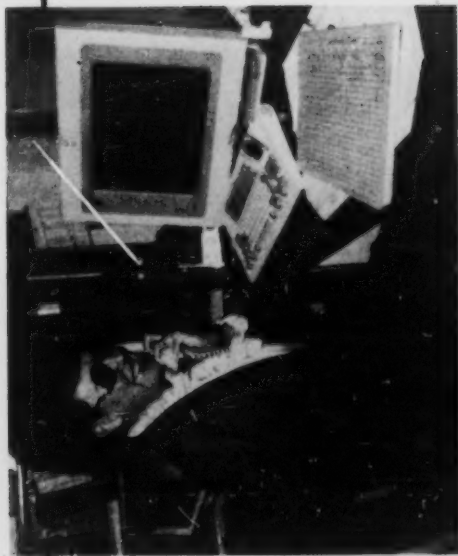
said. "I've always been one to get the most out of life. I'm not about to stop now."

Lois Marx knits, types 45 words per minute on a standard typewriter, enjoys doing ceramics and gardening, drives to work every morning, and is a whiz on a computer terminal. Not so unusual—except she lost an arm, then she was six years old.

Lois is a computer operator for the Montana Power Company in Butte. She serves as a central contact person, providing step-by-step advice to computer users throughout the company when they are having difficulty with their computers.

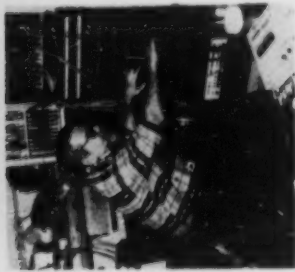
Lois' disability can be an advantage. Lisle Wood, manager of computer services, prefers to send Lois to train Montana Power's workers in the use of IBM terminals. Some of the employees seem to be intimidated by computers.

"If they see that someone like me with only one arm can manage without any difficulty, they might be more comfortable about learning to work with computers themselves," Lois explains. "I feel good about that."



What may seem like a handicap to most people is merely a challenge for Lois Marx. She says, "I just feel sorry for the people who are uncomfortable around me because of my disability. That's where the real handicap lies."

"A lot has been accomplished for handicapped people over the years," says John Shea of Montana Power Company. "It seems we have more clout—and louder voices—than we used to."



Texaco

As a child, Timothy Venetis had an insatiable curiosity about the world around him. He took things apart to see what made them work. Tim is still taking things apart, and putting them back together as well.

Tim is a skilled auto mechanic in the Automotive Lubrication Section at Texaco's Research Center at Beacon, New York. His job is tearing down engines and putting them back together. Not unusual? Tim has been blind since birth.

"My main job is rebuilding single cylinder laboratory engines," Tim says as he deftly picks up one of the more than 200 parts from his workbench. "After they're inspected and cleaned up, I put them together."

Says Clint Adams, Tim's foreman at Texaco: "It takes two hours to take one of these single cylinder engines down and three to four hours to put it back together. Tim knows every single piece. He does this work as fast and as well as a man with sight."

Tim also has a disarming sense of humor. When Tim came to Texaco, another employee was assigned to break him in. During an engine buildup, Tim was asked to pick out the top compression ring, which is barely distinguishable, even by a sighted mechanic, from the remaining piston rings. Tim picked it out with ease. When asked how he did it, Tim had a ready answer: "It was easy," he said. "I peeked."



Colleen Goldstein pauses on the way to her office. Colleen is a Staff Associate in Texaco's Corporate Employee Relations Department, Harrison, NY. She is also legally blind.



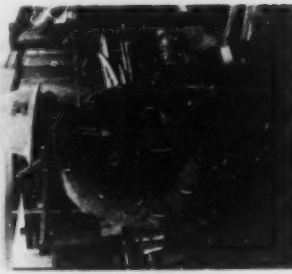
"My main job is rebuilding laboratory engines," says Timothy Venetis, who has been blind from birth.

Duke Power Company

Nearly five years ago, Claude C. (Roy) Cash, 57, had a massive heart attack. It was followed in quick succession by four more. Since then he has had three others. He has been forced to slow down.

Having worked 40 years in construction, seven of those with Duke Power, Cash has never seriously considered quitting work. To help keep him on the job, Duke Power assigned him less strenuous duties. At the Catawba Power Plant, he is now a cable coordinator in charge of ordering electrical cable for six construction crews.

He has considered early retirement, but plans to see the Catawba Project finished. That will take him to 1986.



Claude C. Cash - Construction

A. Eugene Laughlin was a school teacher and coach in Tennessee until 1966, when an automobile accident left him with a severed spinal cord and paraplegia. A trip to Charlotte, N.C., in 1968, to visit old friends resulted in Laughlin's being offered a job in computer programming with Duke Power Company.

Laughlin trained while on the job and moved up quickly. Today, he is Manager of Research Planning and Policy in Information Systems.

"In terms of career opportunities with the company, my disability has had no effect whatsoever," he said.

"It's given me no advantages, but there haven't been any negative effects either."

"Coming to work for Duke Power was the second best decision I ever made. Marrying my wife Nancy was the first."



A. Eugene Laughlin - Information Systems

"I tell my husband, my family and my co-workers the same thing: Ask me before you assume I can't do something."

"I see myself as a very able-bodied person, and I try to project that image to others. There are not too many things I start that I can't finish."

Konnie Eriksen

Edison Electric Institute

Edison Electric Institute and its member companies have been active for many years in both the employment of the handicapped and the retention of workers who become disabled — long before the passage of the Rehabilitation Act of 1973. Indeed, one of the noticeable characteristics of the electric utility industry is the length of service of its employees. George McGowan, President of Baltimore Gas and Electric Company and first Chairman of the EEI Task Force, noted:

"Historically, people tended to come to work for our companies early and to stay for their working lives. Our companies, more or less routinely, tended to adapt to disabilities as they developed, particularly in the physically demanding jobs. We were 'accommodating' before that word came into common usage."

The experience of electric utilities in employing and retaining disabled workers confirms the findings of recent surveys in other industries and helps to dispel many of the "myths" surrounding the employability of people with disabilities. For example, in the areas of job performance, job stability, safety and attendance, workers with disabilities rated by their supervisors and foremen have been found to perform as well or better than their co-workers.

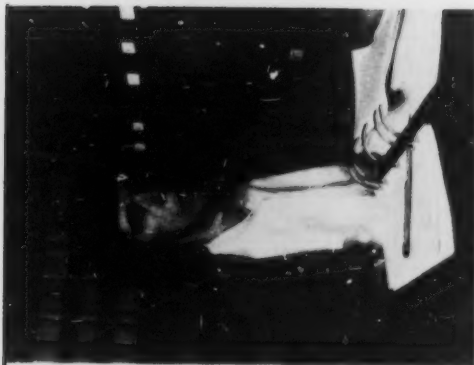
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Finance And Insurance

Aetna Life And Casualty

Aetna Life & Casualty of Hartford, Conn. recruits disabled employees through national and local organizations, as well as through college recruitment. Aetna also encourages its field offices to further opportunities for disabled individuals.

Once an employee is hired, all company employment programs — training, development, evaluation, compensation, advancement and benefits — are administered without regard to disabled status. Aetna says that disabled people have greatly contributed to its success.



Lisa Blumberg, who has cerebral palsy, is a graduate of Wellesley College and Harvard Law School. She has practiced law at Aetna Life & Casualty in Hartford, Conn. since 1977, specializing in auto and homeowner insurance regulation, policy language, and copyright, contract and trademark law.

Allstate

Two years ago, along with the usual uncertainties of a college graduating senior, Harry Chandler had his wheelchair to consider. The chair has been his conveyance since a body-surfing accident in California. As a result of his paraplegia he would sometimes have difficulty getting to an office.

Now Harry works for Allstate, both in their office and at his home. Through a special program, Chandler and three other Allstate employees can work at home when they can't get to the office.

Within easy reach at his home are a computer terminal and a printer, each plugged into an Allstate computer at the home office.

Chandler's most recent assignment at Allstate is testing and checking of the claim office computer system. He must identify the locations of all visual and hardcopy terminals in claim offices across the country. Computer work is a comfortable fit for Chandler. "The demands of programming are mostly mental. Physical disabilities don't have much bearing," he says.

He sees himself learning and growing in Allstate's changing environment. "The job calls for communicating and interacting with a lot of other people — which is one reason I like coming to work," says Chandler. His manager, Ron Veglia, says, "We are a production-oriented division, and Harry delivers the goods."

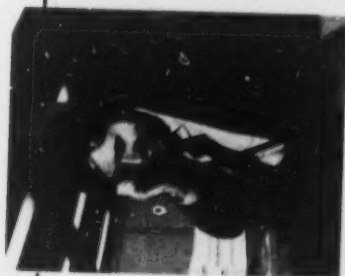
American Express

American Express has converted the homes of 10 physically disabled individuals into off-site office work stations. Each home "office" has been provided with a word processing terminal, a central dictation system, and a document facsimile relay unit.

The project links the workstations to the American Express corporate headquarters in Manhattan. Using headsets and word processing terminals, employees transcribe documents and transmit them to a printer at American Express. If changes are necessary, they are written on the printed copy and returned by fac-

simile to the worker for revision. Thanks to this pilot program sponsored by American Express, Rosalba Moy and nine other home-bound individuals now have the opportunity to "commute" to work — via computers and telephone lines.

According to James Raney, American Express Senior Vice President, this project is much more than a step into the office of the future. "We're trying to create opportunities for employable homebound individuals whose disabilities have prevented them from entering the traditional job market."



Harry Chandler arrives at his Allstate office, even during Chicago's bitter winters.

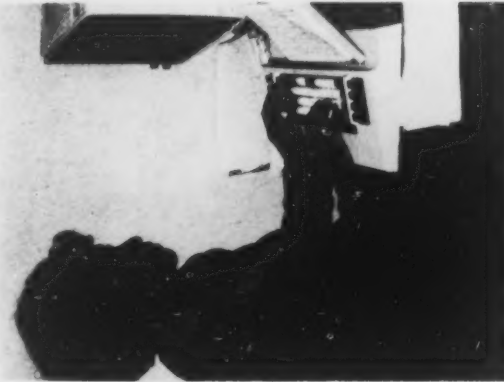


"I try not to mix my home life and work," says Rosalba Moy, who leaves the 'office' each day at 5 p.m. to prepare dinner. Moy's husband built an office for her in their garage, to separate work from their home life.

Blue Cross, Blue Shield

"We are proud of the contributions and the excellent work of our handicapped employees, and we're pleased they chose to work for us."

Joseph P. Gamble
President of the Executive Division
and Chief Executive Officer



Joseph P. Gamble is the President of the Executive Division and Chief Executive Officer with Blue Cross, Blue Shield.

Bertha Jacobs is responsible for entering data on hospital bills into a computer for Blue Cross and Blue Shield. Working at a computer terminal, she keys in data from about 500 claims each day. She has a congenital hearing impairment.

Mutual Of Omaha

Marcia Bredar, a lawyer with Mutual Law, has walked through life with braces, and occasionally used wheelchairs, due to polio. She is one of the four hundred people with some degree of disability working at the home office of the Mutual of Omaha Companies.

"We interview to hire the most qualified person for a specific job," Mutual and United Second Vice President Jane Hueter explained. "We also determine if any accommodations are necessary. An amplifier on the telephone for someone hard of hearing is just common sense."

Mutual's involvement goes beyond hiring. It was among the first insurance companies to offer rehabilitation to its policy holders

Mutual Chairman and Chief Executive Officer V.J. Skutt points out, "As a health insurance company, we deal with disabled policyowners continually. We know how vital it is to get disabled people back on their feet and into a productive lifestyle. That's why we were a pioneer in providing rehabilitation benefits in our health insurance policies."

"If you are an employer, remember first of all that you're dealing not with just someone handicapped, but with a person - a person who deserves respect and dignity."

Marcia Bredar
Mutual Law



Marcia Bredar

The Prudential Insurance Company

When a large business makes a major change — trademark revision, expansion into a new line or relocation of offices — a mountain of paperwork follows. That's what makes people such as Suzanne Burns so important. She is a forms designer in the Prudential Insurance Company's Text Management division. Using a computer video display terminal, she designs and redesigns a wide variety of the forms used in the operation of the nation's largest insurer.

When The Prudential underwent its corporate program revision, including the updating of its famous "Rock" servicemark, Suzanne worked closely with the company's graphic design specialists and an outside consulting firm. Together they phased in new graphic standards for insurance contracts and other administrative forms.

Suzanne is just one of the many people with disabilities enjoying success at Prudential. She is hearing impaired — 60 percent in one ear and 40 in the other.

Suzanne's hearing impairment requires slight adjustments by her peers and her supervisor. They speak more slowly and face her so she can lip read. In staff meetings and presentations, space is reserved for her at the front of the group. An amplifier has been installed in her phone.

According to her manager, Mabel Rhodes, these adjustments are minor, measured against the value of her work. "She works hard, she's conscientious, she takes on responsibility, she's an ideal employee," says Rhodes. "How could I ask for more?"



Suzanne Burns reviews the design of a new administrative form with supervisor Ann Desco.



Suzanne Burns makes design changes with her computer styles.

Pfizer Incorporated

Vic Mack's ability to work with people and get the job done has earned him his job as Director of Field Systems for Corporate Information Systems at Pfizer Incorporated. His steady rise within the corporate ranks was well deserved. His most recent promotion, however, was accompanied by the first success of multiple sclerosis.

Shortly before the promotion, Vic began to notice a decreasing ability in his motor functions. In the early stages of the illness, Vic used a single cane to move about. Later, two canes were needed. The disease progressed steadily, making the slightest physical task a chore.

Vic's office was moved to Pfizer Headquarters in midtown Manhattan in April of 1984. This move coupled with the promotion would have been an occasion to celebrate, but about this time the disease was beginning to prove most troublesome.

"It was embarrassing," says Vic. "I fell out of a taxi and into the street while trying to enter the Port Authority on my way home from work. On another occasion, I fell inside the Port Authority and landed on a young couple holding hands."

Traveling to work each day loomed as a monumental obstacle to be overcome rather than a simple commute into New York City.

It soon became apparent that different accommodations were needed if Vic was to continue to be a vital part of the Pfizer organization. With assistance from Pfizer management, arrangements were made to provide a corporately leased car from the sales force so Vic could drive to work. However, driving in traffic for several hours each day was too taxing for Vic. A different solution was tried.

The personnel department provided names of employees who lived near Vic's home in New Jersey. They were contacted to participate in a carpool. "Right now," says Vic, "there are three full-timers and a couple of part-timers in the carpool. It's working out quite well."

Pfizer found that it is important to keep good people on the job and that each effort to accomplish this was well worth the investment.

Abbott Laboratories

It's amazing that eleven pairs of hands inspecting 230,000 bottles of infant formula a day also have the dexterity to communicate in sign language. This is the case at the Ross Laboratories plant in Allavista, Virginia. The Ross division of Abbott Laboratories manufactures infant and adult nutritional.

Philip Short, born deaf, works with 10 other inspectors manually examining each bottle of formula for consistency and color, imperfections in the glass, and security of the lids. Much of the conversation amongst the employees is conducted in sign language, a language learned so they could talk to Short.

When Short joined the crew on the bottle finishing line, the other inspectors had difficulty in communicating with him. A fellow worker, Mark Francis, visited a local bookstore in search of a book on sign language. Abbott Laboratories became involved when Personnel Manager Dan Drake ran into Francis in the bookstore and learned of the employees' interest in communicating with their co-worker.

The company offered a free voluntary sign language class to all plant employees. Abbott furnished the textbooks. Twenty-eight people finished the course.

Sign language instructor Sandra Witt says, "Abbott had more people complete the entire course than any other I've taught in my entire career (16 years)."

The effort Abbott employees showed in learning a new way to communicate with their deaf co-worker went beyond the inspection line. Alonzo Walshall, supervisor of the bottle finishing line, now conducts department meetings both orally and in sign language.

Short's appreciation for Abbott Laboratories and his fellow employees' efforts are summarized in the plaque he made and presented to the class. It reads in sign language and in words: "I love you."



Philip Short talks with other Abbott employees.

Merck & Co.

Merck & Co., Inc. develops human and animal health products to prevent or treat illnesses and improve the quality of life. It carries out its work with a high regard for its human resources.

The company's successful experience with disabled employees has demonstrated several benefits:

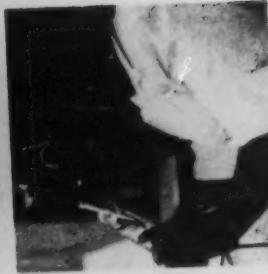
- By focusing on capabilities rather than handicaps, Merck draws on the broadest array of talents possible.
- Because their handicapped employees demonstrate high motivation and productivity, they serve as fine examples to other employees.
- An environment of skilled and diverse employees and enlightened policies attracts talented people and enhances recruiting.

One of the 32,000 people who work for Merck is Ann Marie Geiger. Ann Marie is an Environmental Control Technician at Merck and Company, Inc. A spinal condition has impaired her growth and placed

her in a wheelchair. Her job requires a high level of technical knowledge and a variety of demanding physical activities. The physical part of the job might appear impossible for a two-foot high person in a wheelchair.

Merck systematically overcame each potential obstacle to her career. They determined that she would have great difficulty moving from her wheelchair to the extra high stool needed to work at the laboratory bench. To overcome this problem Merck acquired a battery-powered wheelchair with a lifting seat, eliminating the need for the high stool.

An adjustable slide tray was made available at her work station to put the specimens on which she works within her reach. A special extension stick was provided to help her open the door to the cold vault. These last two modifications turned out to be such labor-saving techniques that they are now routinely used throughout the Environmental Control Lab by all the technicians.



Ann Marie Geiger

Hospital Corporation Of America

Our people are our greatest asset.

That phrase is more than rhetoric at Hospital Corporation of America. It's inherent in our way of doing business and part of our corporate culture. In the company's short 16-year history, we have persisted with a philosophy of only hiring the best people. In seeking out the most qualified employees, we look for individuals who are the brightest in their field, the most innovative thinkers, the creative problem-solvers. And, most certainly, those who are the best 'people' people.

This across the board investment in employees means handicapped persons join the 110,000 strong HCA family on a regular basis. Horace Wyatt, an engineering and research Manager with HCA's Television Studio, is an integral part of the HCA team. As a result of spina bifida he uses a wheelchair. Horace shares his expertise as a consultant with the more than 420 Hospital Corporation of America affiliated hospitals and business units across the country.

"As a health care company, HCA is particularly sensitive to its position as a responsible corporate citizen. What we've found here at HCA is that handicapped employees, whether they use a wheelchair, wear a prosthesis, have hearing or vision impairment or have other disabilities, are good employees. And, when you make an investment in a good employee, it pays off. Hiring the disabled people is a good investment."

Thomas F. Frist, Jr.
President and Chief Executive Officer
Hospital Corporation of America



Horace Wyatt checks equipment at the HCA Studio.

8

Heavy Manufacturing

Westinghouse

There is a policy statement in force that you have seen on bulletin boards so many times you probably don't even notice it any more. It reads as follows:

"It is the policy of Westinghouse to employ qualified individuals without regard to physical or mental handicaps or degrees of handicap which are not relevant to satisfactory job performance. . . . Westinghouse will take affirmative action to employ and advance in

employment qualified handicapped individuals . . . at all levels of employment including the executive level. . . ."

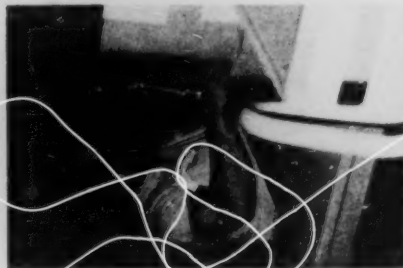
"Behind a policy that is taken for granted by so many of us is a program that has become a major difference in lifestyle to the several hundred people with disabilities who are actively going about their jobs within the company every day. Even though the policy was drawn to conform with the Rehabilitation Act of 1973, it has existed in a less-formal structure for generations."

"For example, Ann Peck, an Assembler at the Fairmont, West Virginia, Lamp Plant, retired last spring to cap a productive career that started there in 1947. She was totally blind when hired."

"Westinghouse believes that success can only be attained by the full utilization of all resources, the most important being people."

J. J. Alberze
Administrator
Affirmative Action
Westinghouse Corporation

Steve Carpenter is a production employee at the Westinghouse Furniture Systems Division located in Grand Rapids, MI. Steve, who uses a wheelchair, is a valuable, contributing member of the overall team.



Rockwell International

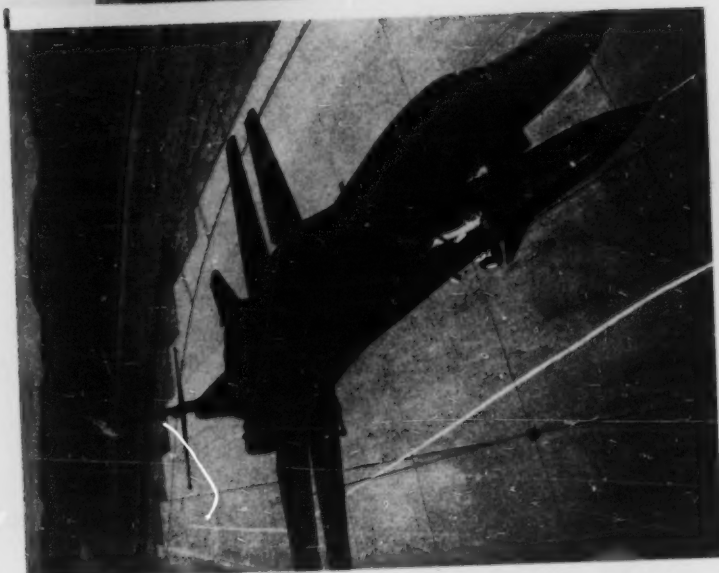
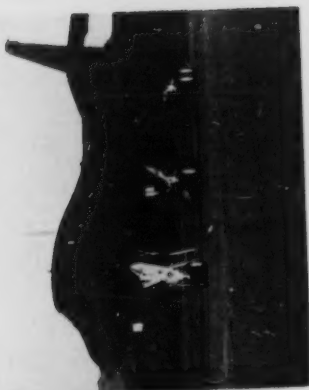
Lanny Snapp, of North American Aircraft Operations' avionics facility at Lakewood, California, could be considered "handicapped" by some. He wouldn't agree. He is a solid performer on the B-1B team for Rockwell International.

As a result of polio, Lanny rides a wheelchair. His is equipped with an American flag — so others can spot him coming from behind office partitions. His mode of transportation doesn't hold him back.

Snapp, 46, is a lead engineer for Lakewood's Automated Test Equipment Applications Systems Group. With Rockwell for 21 years, he designs special B-1B test equipment.

He served with the Apollo program for 10 years, and then joined the space shuttle program before joining the B-1B program. His diligence has earned him four Outstanding Achievement Awards from North American Space Operations, a NASA letter of commendation for shuttle work, and an Astronaut "Snappy" award for Apollo efforts.

Lanny Snapp, referring to the many disabled persons working for Rockwell International, said, "Our people simply don't think of us as handicapped because we're doing the job we were hired to do."



General Dynamics

At General Dynamics Corporation, every employee must be top flight to produce the F-16 Falcon. The success of the plane in the nation's defense depends not only upon the skills of those who fly them but upon the skills of those who build them.

Employment of people with disabilities and continuing job opportunities for disabled employees have long been part of the General Dynamics management philosophy and policy.

Ron Stroud, an engineer with the Advanced Design Department at General Dynamics Fort Worth (Tex.) Division, works on a variety of assignments associated with subsystems for advanced military aircraft. Ron's supervisor says that he is one of the group's most dedicated and accomplished employees and calls his contributions "outstanding."

E.I.L. Instruments

The ultimate responsibility to offer employment opportunities rests with the private sector according to E.I.L. Instruments. However, federal, state and county supported agencies do offer valuable assistance.

Over the past fifteen years, E.I.L. has hired disabled employees in manufacturing, modification, repair, shipping and receiving and in a variety of accounting and clerical positions. The training schools, Vocational Rehabilitation, the County Alliance for the Rehabilitation of the handicapped and the Department of Employment and Training have consistently been helpful in designing training programs to meet company and individual needs. These agencies also provide information and financial assistance for job modifications or structural changes.

Costs for modifications have been minimal over the years; even these have been offset by the high quality of disabled employees. Health insurance and workmen's compensation costs have not increased. Contributions from disabled staff members have been greatly beneficial to the company's overall productivity.

E.I.L. reaps the rewards of a skilled and dedicated workforce.



Ron Stroud works on computer generated graphics for the F-16 fighter.

General Motors Corporation

General Motors is people - all different kinds of people. Success depends upon the involvement and commitment of a company and its people. Employment opportunities are provided for people with disabilities by making necessary accommodations and by providing educational and training support.

Dave Price is one of GM's people. Dave's spinal cord was damaged at birth, leaving him with paraplegia.

He attended the General Motors Institute in Flint, Michigan. A five year, cooperative educational institution, the Institute combines academics and actual work experience. Dave worked with GM's financial department during school. After receiving his degree, he began full time employment in that department as a financial analyst.

General Motors' commitment to excellence provided the education and the employment for Dave Price. His commitment to excellence is GM's reward.

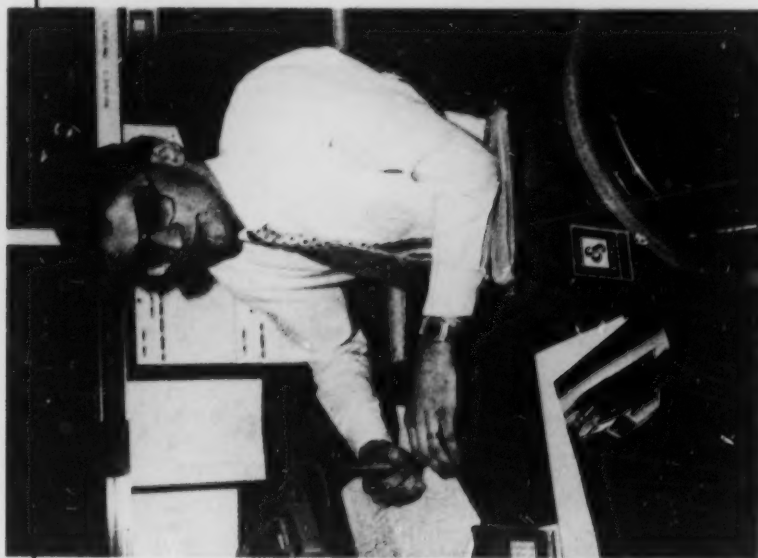
Looking forward to a long career with General Motors, Price says, "There's nothing you can't accomplish if you really want it badly enough - endurance and creativity certainly help," he says.

Innovative Concepts, Inc.

Innovative Concepts, Inc. is active in the Projects With Industry program. Projects With Industry is a partnership between industry, rehabilitation facilities and state vocational-rehabilitation agencies.

The company works with the Development Workshop, Inc., a rehabilitation facility. Together they developed a training program in plastic injection molding for mentally or physically impaired adults. Once trained, Innovative Concepts, Inc. can hire dependable and experienced workers.

The company benefits from tax credits for hiring employees with disabilities, with the unexpected benefit of numerous awards, including both local and state "Employer of the Year" honors. Pat Bishop, plant manager of Innovative Concepts, Inc. explains, "Our involvement with Development Workshop's Projects With Industry program has been very gratifying. The people with disabilities whom we have hired are dedicated employees who are excited to be working with us. Frankly, we are just as excited about having them on our team."



Dave Price works at his desk in the financial department of General Motors.

Phifer Wire Products, Inc.

Working with disabled employees has been such a positive experience for Phifer Wire Products, Inc. that over 12 percent of its total work force have some disability. The company was presented with the Alabama Association of Rehabilitation Facilities Industrial Award for "its outstanding contribution to the development and support of the facility movement in Alabama."

Phifer Wire makes aluminum nails, fiberglass insect screening and a new vinyl-coated polyester fabric.



Screen weaver, Earl Fells (center) works along-side non-disabled employees who wear ear protection.

These processes are noisy by nature. Metal is drawn against metal at high speeds. Insulating and covering machines reduce noise levels.

Special care is taken to protect the hearing of the workers in the factory. Before an employee, who is classified as deaf, is placed in a high noise position, the person is tested by a hearing specialist. The test is to determine at what point, if any, the person can hear.

Ear plugs are mandatory for those people who would be adversely affected by the noise. "We don't want to put a person in an area that would cause any harm," says John U. Walker, plant Vice President.

As a safety precaution throughout the plant, deaf workers wear special red shirts to warn low-motor operators that they cannot hear horns and bells sounded by oncoming equipment.

Employees who are deaf work with an interpreter during training. The interpreter relays messages between supervisor and the employee.

The plant is also equipped with a special telephone permitting deaf employees to communicate with the plant. The company has installed identical devices in each employee's home.



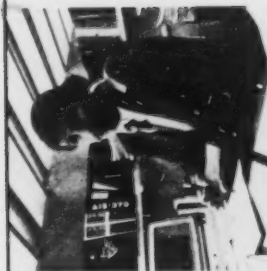
Willie Williams makes aluminum nails at Phifer Wire Products, Inc.

American Can

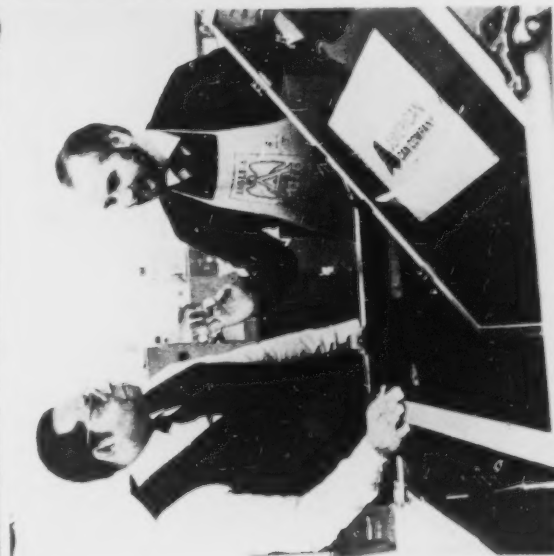
Success does convince employers of the real and financial benefits of hiring disabled people. American Can Company's tradition of hiring people with disabilities continues to be reinforced by the high productivity, the high company loyalty and the dedication of our physically disabled employees.

"American Can Company hires disabled persons because they can do the job well. While we do occasionally modify job descriptions to offset a physical disability, such modifications are the exception, not the rule. It is our experience that mobility, hearing, speaking and visual disabilities can be overcome by being empathetic with the needs of physically disabled persons within the constraints of a given job. Simply changing verbal requests to written requests has helped our speech and hearing impaired employees."

Sal J. Gauder
Executive Vice President
American Can Company



Paul L. Pateracki, an Information Systems and Services specialist, joined the company in 1979 after studying at the University of Delaware and receiving training from BIP/D, an organization that trains severely handicapped students in computer programming.



Arthur C. Miller (right), a scheduling clerk in American Can's Reproduction department, manages the assignment and timing of production printing jobs. Miller has lost hearing in one ear and sight in one eye. He has been with the company for 15 years. Gregory Rivera, a senior pressman in American Can's Reproduction department, is responsible for all stages of offset printing: camera work, color mixing, plate burning, trimming, scoring, and folding. Rivera is functionally deaf. He has been with the company since 1979.

Decc Company Steelcase

The Decc Company's integration of people with disabilities into the work place began ten years ago with a mentally retarded man. Today 40 of the Decc Company's 56 employees are disabled persons.

The Decc Company, a custom carter of dry film lithographs, works closely with Kent County's "Hope Rehabilitation Network." Hope is the provider of all types of human services for disabled persons and is publicly funded.

"We have proven to our satisfaction that there is 'ability in disability,'" states Decc's CEO Everett Mellem.

It was the summer, Irv Tinn was happy. He had just completed his first year as a printer at Steelcase. Then, without warning, it happened. An approaching car crossed the centerline and struck Irv's motorcycle. When he regained consciousness, he was paralyzed from the chest down.

For the next three years, Irv battled first to stay alive, then to regain his career as a printer. By the fall of 1984, he felt he was ready.

His former supervisor at Steelcase had been keeping in touch and encouraged Irv to apply for a position in the printing services department. Irv did. Since then he has again been working full-time for Steelcase as an offset press operator.

"The tool and design department modified the controls and supply tray on the offset duplicator so I could reach them from my wheelchair," Irv explained. "They also made a special, raised seat and put anti-tip casters on my wheelchair."

Irv's supervisor, John Velthouse reports that Irv operates the press independently. He added that the equipment modifications were not difficult or costly to make. "In fact,

A.B. Dick - the manufacturer of the press that Irv runs - is interested in what we've done because it could help open up similar opportunities for other handicapped people who have printing skills," Velthouse said.

The Steelcase experience shows that qualified disabled employees, given an opportunity, benefit both themselves and the company.

An auto accident at age 17 cost Fred Frankowski his left arm. During rehabilitation, and for the next 14 years, Fred worked in a shop specializing in the making and fitting of artificial limbs. "It was a good experience," Fred recalls, "but I needed to earn more money to support my family." When he got the opportunity to work for Steelcase, Fred jumped at the chance.



Fred Frankowski

Fred works as a spray painter in the tile plant. He has found that being one-handed is no problem on the job. With a chuckle, he notes that because he only uses one hand, a pair of reversible gloves last twice as long as for other workers. He doesn't really consider himself handicapped. "Everyone has things they can do and things they can't do. For instance, some people have to wear glasses, some of us wear an artificial limb. It makes no difference as long as we can get the job done."

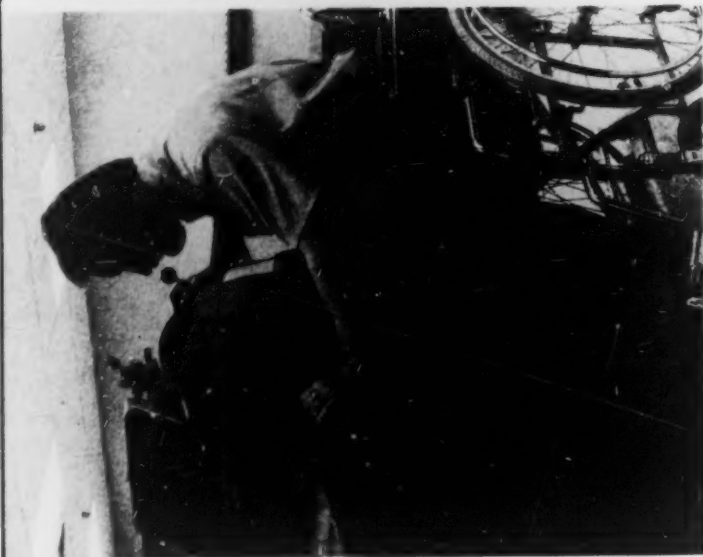
Raytheon Company

Raytheon Company is one of the nation's 100 largest industrial companies. A diversified, international, technology-based company, Raytheon has for many years demonstrated its commitment to the employment of people with disabilities. The company and its management actively support community based programs and organizations whose objective is to mainstream underemployed and unemployed people with disabilities into meaningful employment opportunities.

Raytheon's policy is to exercise corporate initiatives resulting in improved job training and placement for disabled persons. Corporate staff share a desire to use their business skills to create models of cooperation between the private and public sector. Raytheon actively encourages other industrial employers to join with it, providing their collective cor-

porate energies to targeted organizations such as the Massachusetts Rehabilitation Commission, Perkins School for the Blind, and the Massachusetts Project With Industry. Public and private organizations, of which these three are typical, provide important and relevant rehabilitation, skill training and job placement services for the workers who are disabled.

According to Raytheon, this partnership between the public and private sector at the local level encourages improved cost and program effectiveness.



Ivy Tamm

Burger King Corporation

9 Restaurant And Hospitality

At the Burger King restaurant where she is employed, Miss Tammy Stevens takes orders at the drive-thru window and the counter for three to four hours a day, five days a week.

In a wheelchair since an automobile accident in 1979, Miss Stevens has built for herself a remarkably independent life. She has learned to drive, and also lives alone in her own home in Waycross, Georgia. In addition to her restaurant work, Miss Stevens attends school at Waycross Ware Tech and plans to make her career working with computers.

"We have a very active outreach program designed to inform disabled individuals of the opportunities available at Burger King Corporation."

"We have found that handicapped employees tend to be extremely productive, reliable and have lower turnover rates, insurance claims, and absenteeism."

"Our Policy is to hire the best person for the job. We look at an individual's capabilities not their disabilities."

J. Jeffrey Campbell
Chairman and Chief Executive Officer
Burger King Corporation



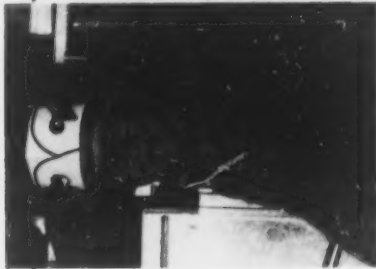
Tammy Stevens taking an order at the counter.

Valentino's Restaurant

"When the need to hire staff in the food service business arises, it must be done in a timely and cost efficient manner. When hiring, I look for a dependable, loyal, flexible worker who will share in the growth and enthusiasm of the company."

"The attitude toward people with disabilities must start with the manager and then filter through the entire staff. The disabled employees in this restaurant are treated the same as the other employees. I have the same expectations from everyone. There is a job to be done and it must be done correctly. The truly amazing thing we have found is that by treating disabled people equally, in a sense the employee loses his disability. He becomes what we have expected of him - no different than anyone else."

Cathy Johnson
Manager
Valentino's Restaurant
Kearney, Nebraska



Henry Neuman works in the kitchen at Valentino's Restaurant.

Refuge Restaurant

"We must emphasize that our practice of hiring employees with disabilities is not a charitable community service; it is a 'hard ball' business practice that serves our business needs first and provides personal satisfaction secondarily. We have made some extra efforts to work with valuable handicapped employees, such as hiring interpreters for the deaf, assisting employees with financial planning and spending one-to-one time with certain employees to be sure they understand our expectations. Such effort, once again, pays off for the business."

"Employers who ignore the large population of qualified workers who are disabled are doing themselves a great disservice."

Ray and Peggy Miller
Owners - The Refuge Restaurant



Jeff Grimes, Employee of the Refuge Restaurant, Yuba City, CA 95991

The Marquette and The Northstar Hotels

Two Minneapolis hotels — The Marquette and The Northstar have gained international recognition for their pioneering program of hiring and training people with disabilities, mainly retarded citizens. More than 100 of the hotels' 120-stewarding employees have emotional disabilities. The program reaps benefits not only for the employees, but for the hotels as well.

They have reduced annual turnover in the stewarding department from an industry-wide average of 150 percent to 11 percent.

The program, conducted with Iowa Lakes Community College, has become one of the largest training resources for the President's Committee on Employment of the Handicapped and for the Organization of American States for the Caribbean and Latin America.

Vern Bierling, executive steward of The Marquette, developed the program. "It is helping to bring about the goal of all successful vocational rehabilitation: a job, independence, and a chance to enjoy the happiness of life's fulfillment," says Bierling.

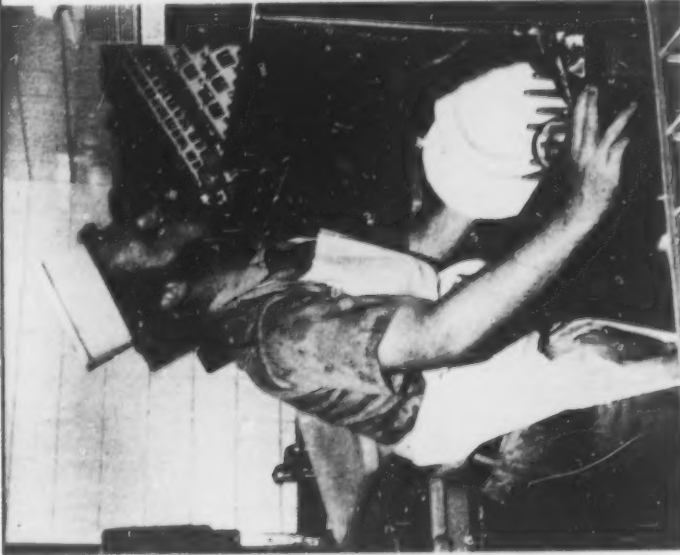
Marriott Corporation

By actively seeking people, including disabled, who will benefit from their association with the company, Marriott finds people who can help achieve its business goals. This aggressive program's results: disabled persons now comprise about five percent of the workforce at Marriott Hotels and Resorts, Marriott's In-Flight and Food Service Management divisions, the Roy Rogers Restaurant chain, and the Big Boy Restaurant chain.

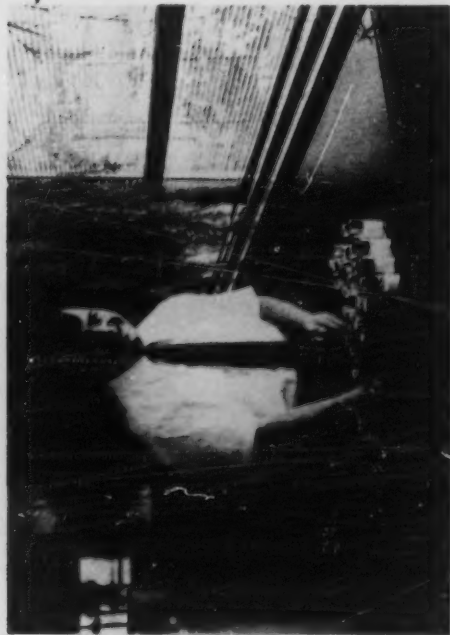
Success in hiring people with disabilities is based upon the commitment of local managers. They developed most of the company's programs to hire disabled persons.

An example: Marriott's food service operations at the Smithsonian Institution in Washington, D.C. have worked with the District of Columbia Retarded Citizens Association to hire mentally retarded workers. Training is by the Association. Absenteeism is low and length of service is high.

On-the-job training programs exist at many Marriott operations. The Blawieington Marriott Hotel in Minnesota has operated a training site for the last seven years. Working with Minneapolis' Emerson School, the program provides hotel industry



McDonald's



John McNickel works at a Marriott restaurant.

training for developmentally disabled young people. Here they gain work experience and skills preparing them for future employment.

No guarantee of employment at Marriott is given once the three-year training program has been completed, however, a number of students have been hired by the hotel.

One of the first participants in the program, Mark Mack, 24, has worked in the hotel's housekeeping department for six years. He has missed only one day of work. Stimulated by the success of such experiences, many Marriott facilities have developed training sites at their locations.

Quite often the most crippling aspect of a disability is the label itself. At McDonald's, we believe the only thing that can truly disable a person is the loss of opportunity. And there is nothing more disabling to a person than to be told, 'You can't do it.'

"So McDonald's made the commitment to say 'yes' to disabled applicants whenever possible. The results have been phenomenal. Many people who had once been considered 'unemployable' by other employers now hold jobs of real responsibility within the McDonald's system. Their outstanding performance has disproven the myth that hiring the disabled worker is unprofitable."

"McDonald's disabled employees have proven themselves to be exceptionally hard workers. They are dedicated, loyal employees with low absentee and turnover rates. They are driven by a desire to prove themselves as contributing members of our society. And their persistence has served as a model for our crews and staff alike."

"We have two basic requirements of all qualified applicants. First, they must believe in themselves. And second, they must have the desire to prove that belief. Armed with these strengths, success becomes possible."

"Each person we hire spends an extended training period with a specially trained job coach. These job coaches are not recruited through the social service community; they are full-time McDonald's employees who want the opportunity to work with disabled people. So the McJobs program is truly a mutual exchange of opportunity. Perhaps that's why it's been so successful."

"Our new friends have helped us remember something very important. The power of believing is almost unbelievable."

Mike Quinlan
President of McDonald's Corporation



The National Organization On Disability (N.O.D.)

As founding chairman of the National Organization on Disability, as well as president of Amway Corporation, I have had the opportunity over many years to interact with people classified as "disabled." I am inspired by their achievements; their abilities which transcend any disabilities with which they must cope each day.

During the Decade of Disabled Persons, from 1983 through 1992, N.O.D. is playing a significant role in achieving full participation in American life for disabled persons. This includes the opportunity for meaningful employment. This booklet will provide readers with many examples of personal achievements. We hope that it will inspire employers across the United States to take another look at the potential in those who may be classified as "disabled," and investigate how they can be integrated into their workforces. We know from experience that they are usually exceptional employees. Remember, "There's A Lot Of Ability In Disability!"

Richard DeVos

President,

Amway Corporation

Chairman, The National Organization on Disability

Decade of Disabled Persons 1983 - 1992

Few Americans are untouched by disability. More than 35 million citizens have physical or mental impairments which can prevent their full participation in community and national life. An additional 50 million family members are also directly affected. They share the problems, the challenges and the hopes.

For years, disabled and non-disabled Americans have worked together toward the full participation of disabled persons. They have done so in the belief that greater participation and fulfillment of disabled persons is in the best interest of all Americans.

The United Nations has proclaimed the Decade of Disabled Persons, urging all nations to work toward the full participation of the world's half billion disabled persons.

The U. S. Congress has passed a resolution on the Decade setting forth long-term goals of and for Americans with disabilities.

- Expanded Educational Opportunity
- Improved Access to Housing, Buildings and Transportation
- Expanded Employment Opportunity
- Expanded Participation in Recreational, Social, Religious and Cultural Activities
- Purposeful Application of Biomedical Research Aimed at Conquering Major Disabling Conditions
- Reduction in the Incidence of Disability by Expanded Accident and Disease Prevention
- Increased Application of Technology to Minimize the Effects of Disability
- Expanded International Exchange of Information and Experience to Benefit All Disabled Persons

JAN Job Accommodation Network

JAN - Job Accommodation Network - is an information network for employers. It brings together information from many sources about practical steps employers have been taking to make accommodations for functional limitations of employees and applications with disabilities. All that information is yours for the asking.

Operated by the President's Committee on Employment of the Handicapped, JAN is a database containing specific information about how individual tasks can be done by persons with limitations. JAN enabled employers to discuss with other employers accommodations which have proved successful in specific instances. Functional limitations will be related to functionally job requirements: real people working at real jobs because successful accommodations were made.

With a call to 1-800-JAN-PCEH, employers can be put in touch with other employers who have found solutions to placement problems where accommodations were made. Network members share, and Network members gain. There is no substitute for personal discussion.

The benefit/cost ratio can be particularly favorable when an accommodation can lead to an injured employee returning to work. Accommodations usually are not expensive. Dollars can be reduced to cents - and to common sense.

The cost: NO MONEY; simply a commitment that you will provide information about accommodations you have made, or those you make after you begin using the system so they can be in the database and shared with other employers.

The result: more job opportunities for more disabled people; more disabled people returning to work following an injury or illness.

About the Cover

Robert C. Pew, Chairman of the Board and Chief Executive Officer of Steelcase, Inc., joined the world's leading designer and manufacturer of office environments in 1952. A proponent of disability issues for many years, Mr. Pew is a board member of the National Organization on Disability. He has shaped Steelcase's present policies for working with people with disabilities. Under his leadership, the company began working with Hope Rehabilitation Network, Inc. to provide vocational experience and skills to people with disabilities seeking to enter or return to the workforce. As part of STEP (Special Training and Employment Project), Steelcase provides a 5,600 square-foot facility in its desk plant where disabled clients learn to do a variety of assembly and production jobs. More than 300 persons have participated in the STEP program since its inception in 1981.

Robert Muller joined Steelcase in 1966, and currently is an Administrator in the Human Resources Department. He is also an Adjunct Assistant Professor in the Department of Psychology at Aquinas College in Grand Rapids, Michigan.

Bob was born with cerebral palsy. His parents were told he would never walk or talk, but they refused to accept the doctor's suggestion to have him institutionalized for life. After four years of special therapy from his mother, a practical nurse, he began walking and talking.

He is now a speaker, lecturer, and consultant to education and industry in human relations for persons with disabilities. His presentation is entitled, "The Changing Role of Americans with Disabilities: Developing Programs to become Equal Partners in Education and in Employment." It attempts to increase the awareness of the great potential that persons with disabilities have, and to encourage proper personal, social and educational opportunities so that they can become more productive and claim their purpose in our economic society.

Acknowledgement

The Dole Foundation and the President's Committee On Employment of the Handicapped would like to express our appreciation for those companies whose support made possible the publication of *Disabled Americans At Work*. We applaud the efforts of these companies in bringing to light the abilities of people with disabilities.

- Allstate Insurance Companies
- Amway Corporation
- Motion Designs
- Paralyzed Veterans of America
- Philip Morris, U.S.A.
- Joseph E. Seagram & Sons
- Steelcase, Inc.

"American industry finds itself with an opportunity -- a rich resource in those 35 million Americans described as disabled. Hiring and training men and women who are disabled is clearly a plus for companies, for those eager to help themselves, and for our economy."

Colby H. Chandler
Chairman and Chief Executive Officer
Eastman Kodak Company

Senator KERRY. Thank you. We appreciate it.

Mr. Virallas, do you want to add to that at all?

Mr. VIRALLAS. I think that the issue has been addressed by Mr. Mansfield well enough, and I will leave it alone at this point.

Senator KERRY. Thank you.

Let me just say in closing this hearing that we are by no means closing the door on this issue. I think Mr. Mansfield just made a comment that really struck me about another program that veterans have an opportunity to read disappointment and a government that turns a little bit of the spigot on and then all of a sudden shuts it off.

As I sit here now as a Senator having sat out there as a veterans' advocate and having been part of the effort to get a response with respect to veterans for some 15 or 16 years now, it makes me both happy to be here—I am glad I am able to be here and able to respond to these needs—but I am really sad that I have to be here to talk about a program that may have the potential of once again after all the lessons we are supposed to have learned about the inadequacy of response once again providing that kind of response. Frankly, that blows my mind that 15 or 16 years later we are still sitting here struggling to get a program to follow through and do what it ought to be doing for Vietnam veterans.

I will tell you, if there is any signal that ought to come out of this to the administration, to the people who run the program, it is that at least this Senator—and I am convinced that Tom Harkin who is a Vietnam veteran and Jay Rockefeller and others are not going to sit here quietly and just kind of let things go on as usual. It is too important.

This program and others are going to be serious measurements about this country's willingness to finally come to terms with a long overdue promise that has too long been broken.

So, I appreciate your comments enormously. I think this has been an important hearing, a very important hearing in that sense, because I think it is laying the groundwork for our ability to be able to measure and to hold accountable. I can absolutely guarantee you that I will put all the energy that I have into the process of accountability. I hope people over at the VA and at the SBA and elsewhere are going to hear these comments and know that we are serious. When I say we, I mean the VFW, the American Legion, the Veterans of Foreign Wars, the Paralyzed Veterans, everybody is unified in the notion that the time is now. No more excuses.

That is what this hearing has been about, and I appreciate all of you participating in it, and I thank the staff for their continued patience about it.

The hearing is adjourned.

[Whereupon, at 1:15 p.m., the committee recessed, to reconvene subject to the call of the Chair.]

A P P E N D I X

STATEMENT OF
RONALD W. DRACH
NATIONAL EMPLOYMENT DIRECTOR
DISABLED AMERICAN VETERANS
TO THE
COMMITTEE ON SMALL BUSINESS
OF THE
UNITED STATES SENATE
November 13, 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the more than one million members of the Disabled American Veterans and its Ladies Auxiliary, I wish to take this opportunity to express our thanks to you and the members of this Committee for your interest in veterans who are entitled to receive "special consideration" in programs administered by the Small Business Administration (SBA).

As you may recall, Mr. Chairman, my last statement before this Committee dealing with the efforts of the Small Business Administration with respect to veterans was very critical. This was due to what we viewed as a lack of concern on the part of the Small Business Administration in complying with a specific legislative mandate requiring "special consideration" for veterans.

Public Law 93-273, signed January 2, 1974, amended the Small Business Act and, among other things, required the SBA to give "special consideration" to veterans of the Armed Forces of the United States and, under limited circumstances, to their survivors or dependents.

Although SBA assistance to veterans is still subject to some criticism, positive actions have been taken in several areas. At this time, Mr. Chairman, I would like to point out some of these accomplishments.

The Small Business Administration has commissioned numerous studies of veterans that will enable them to better serve the needs of veterans. The results of these have not been finalized. We believe these studies will address areas that are of most concern to veterans who desire to start or improve their own small businesses. We want to thank this Committee for being so helpful in initiating these studies.

Of utmost importance was the establishment of the position of Veterans Affairs Officers in 88 Small Business Administration offices nationwide. These Veterans Affairs Officers have direct contact with veterans seeking information on small business loans and I am happy to say my office has referred veterans seeking assistance to these offices on numerous occasions with positive results.

Another positive step the Small Business Administration has undertaken is the establishment of a Small Business Administration Advisory Council on Veterans Business Affairs. Under the direction of the Administrator of the Small Business Administration, this Committee, though advisory in nature, consists of members from the SBA, Veterans Administration,

Office of the Secretary of Defense, Department of Labor, American Bankers Association, National Small Business Association, as well as veterans' service organizations. My associate, Harold L. Woods, represents the Disabled American Veterans on that Committee.

It is designed to assist in identifying the needs of veterans with regard to small businesses and to study and propose incentives and assistance needed by the private sector to help in the training and development of present and potential veteran small business owners. Further, it makes periodic reports and recommendations and offers advice to the Administrator and Associate Deputy Administrator for Special Programs of the Small Business Administration.

In addition to the establishment of the Advisory Committee, the Small Business Administration is establishing Veterans Business Resource Councils (VBRC) throughout the nation. There are presently 12 such councils in operation. The purpose of the VBRC is to create a network of veterans and business advocates capable of providing business information, resources and support, business development, training or business opportunities for veterans, particularly disabled and Vietnam Era veterans, at the district and community level.

Mr. Chairman, another positive initiative undertaken by the Small Business Administration was the establishment of Small

Business Seminars throughout the country. These seminars were designed to assess the business assistance needs of veterans, particularly those of the Vietnam Era, provide basic business training and make recommendations for better targeting of business training to veterans. Additionally, under the guidance of the Administrator, the Advisory Committee will coordinate efforts toward the inclusion of veterans' issues into the agenda of the White House Conference on Small Business that is scheduled from August 17-21, 1986.

Assistance to veterans has been a cooperative effort of the Small Business Administration and the Veterans Administration on referral of veterans seeking assistance. The Veterans Administration has appointed a Small Business Administration Coordinator in each of their regional offices to work with the Small Business Administration in referring veterans to the appropriate place for assistance.

Small Business Administration Veterans Affairs Officers and the Veterans Administration's appointed Small Business Administration Coordinators maintain liaison with local Veterans' Benefits Resource Councils, veterans' organizations and members of the business community.

Mr. Chairman, it is obvious that the Small Business Administration has made strides in their efforts to publicize and provide outreach directed toward disabled and Vietnam Era veterans. Nevertheless, it will be interesting to see the results in black and white. Perhaps the studies, when finalized, will give us some indication of progress being made. There should be a data base on veterans in business similar to the research and data collected on other small business groups, women, minorities, etc.

Mr. Chairman, this concludes my statement and we thank you for allowing this to be made part of the record.

**STATEMENT OF THE VETERANS ADMINISTRATION TO THE
COMMITTEE ON SMALL BUSINESS, UNITED STATES SENATE**

DECEMBER 1985

Mr. Chairman and Members of the Committee, thank you for the opportunity to present the views of the Veterans Administration (VA) on improving the delivery of services to veterans in programs available at the Small Business Administration (SBA).

In 1974, Congress enacted Public Law 93-237 which amended the Small Business Act and directed the SBA to give "special consideration" to veterans of the Armed Forces in all SBA programs. The term "special consideration", however, was not defined.

Early in 1981, the Administrator of SBA created a "Task Force on Special Consideration for Veterans", charged with reviewing veteran involvement in SBA programs. The

Task Force was comprised of representatives from veterans' organizations, other Federal agencies, including two representatives from the VA, and SBA program officials. After completing their review, the Task Force issued a report to the Administrator of SBA recommending that: the veterans' programs have goals and objectives; a veterans' outreach program be established; a veterans' handbook be issued; regulations be published defining "special consideration"; veterans' workshops be conducted; sound financial and management assistance to veterans be provided; Veterans Affairs Officers (VAOs) be designated at SBA field facilities; and that SBA create a National Veterans Affairs Office to coordinate and direct all SBA veterans' activities and procedures.

Subsequently, on May 14, 1982, the Administrator of SBA, Mr. James C. Sanders, issued a "Policy Statement." The Policy Statement incorporated most of the recommendations of the Task Force and directed the Small Business Administration to undertake new initiatives aimed at assisting veterans in business. The following is a review of the five

directives contained in the SBA Administrator's Policy Statement and their implementation:

1. The SBA Administrator's first directive called for the establishment of a permanent Office of Veterans Business Enterprise within the Office of the Chief Counsel for Advocacy. This office was formed and later moved to the Office of SBA Associate Deputy Administrator for Special Programs, and renamed the "Office of Veterans Affairs" (OVA). OVA is required to perform an advocacy role on behalf of veterans similar to that performed by the SBA Office of Advocacy, which was established by Public Law 94-305.

The Office of Veterans Affairs is the SBA focal point for examining the role of veteran-owned small businesses in the American economy, for representing the views and interests of veteran-owned small firms, and for enlisting the cooperation and assistance of public and private agencies, businesses, veterans' service organizations, and other interested parties in disseminating information about services and programs

available to veterans.

The VA looks forward to a continuing working relationship with the Small Business Administration's Office of Veterans Affairs and a new director, whom we understand SBA plans to appoint in the near future.

2. The SBA Administrator's second policy directive called for the issuance of new regulations as necessary "to clarify and assure that veterans are, in fact, provided 'special consideration' within each assistance program of SBA. . . . Specifically, financial assistance regulations shall provide that qualified veterans receive higher priority in the processing and funding of loan applications, with particular attention to be given to the handicapped Vietnam-era veterans."

According to information supplied by SBA's Office of Veterans Affairs, SBA's standard operating procedures have been revised to incorporate special consideration for veterans, including:

- o development of special training programs for all veterans;
- o implementation of a direct loan program for Vietnam-era and disabled veterans;
- o processing veteran loan applications on a priority basis; and,
- o funding a major research program to assess the economic conditions, self-employment aspirations and business skill needs of veterans.

The Veterans Administration supports SBA's continued research into the needs of veterans so that "special consideration" can be provided in the program areas where it would be most effective. We suggest that particular attention should also be given to disabled veterans.

In FY 85, SBA loaned more than \$8 million dollars of the monies that Congress earmarked for direct lending

to qualified Vietnam-era and disabled veterans. We believe that if SBA Veterans Affairs Officers aggressively implement their revised standard operating procedures relating to the process by which they give priority consideration to applications from veterans, SBA will succeed in assisting veterans to a greater extent.

The VA has taken several steps which could be useful to other agencies in identifying and assisting veteran-owned business sources. First, the VA amended the representation and certification forms issued with all its solicitations and requests for quotations (see attached Example #1), to permit identification of Vietnam-era or disabled veteran-owned businesses. Second, we obtained permission from the General Services Administration to add the same identification blocks to the Solicitation Mailing List Application (SF 129) (Example #2) (currently authorized for use by the VA only).

3. The SBA Administrator's third directive called for

intensifying management assistance and business training for veterans. In FY 1984, SBA held 32 major conferences throughout the country attended by nearly 10,000 veterans. During FY 1985, SBA field offices conducted 154 special veterans outreach conferences, seminars, and workshops on various business topics; more than 40,000 veterans received counseling (20% of the total number counseled by SBA) and 94,571 veterans (19% of the total trained by SBA) went through SBA business training. These figures include both regularly scheduled and special outreach training and counseling. (The source of these statistics is SBA's testimony of November 13, 1985, before the Senate Small Business Committee.)

The SBA's District Veterans Affairs Officers (VAOs) held additional special outreach conferences, seminars, and other meetings for veterans in their geographical areas; worked closely with veterans' groups to develop programs that best served the veteran in their areas; counseled veterans on a one-on-one basis; coordinated

other government agency resources to most effectively assist veterans; and reported these activities to the regional VAOs.

We would be pleased to offer the use of the Veterans Administration's regional offices to assist SBA in communicating information on management assistance and business training for veterans, if this would assist SBA in their outreach effort.

Additionally, we understand that SBA's small business training programs are being expanded in scope to encompass the special needs of the disabled veteran. The training for disabled veterans could be designed to create awareness of "self employment" or home based industries as options.

4. The SBA Administrator's fourth directive called for regional administrators and district directors to appoint Veterans Affairs Officers (VAOs) in each SBA Regional and district office who are highly qualified, trained and experienced in SBA programs and procedures.

SBA did appoint VAOs and the newly appointed VAOs received extensive training on SBA's commitment to "special consideration" for veterans. Currently, the OVA maintains contact with the VAOs in the field by issuing written guidance and by responding to telephone inquiries.

We believe it would be helpful if the OVA could provide periodic training seminars for SBA regional administrators, district directors, and the VAOs which emphasize program policies and procedures for veterans.

5. The SBA Administrator's fifth directive called for SBA's Office of Administration to cooperate with the Office of Veterans Affairs and each SBA program office to assure that information and data concerning the participation of veterans in all SBA programs are collected, measured and analyzed in a manner which serves the policy making needs of the Congress and SBA management.

This directive also required that the SBA Chief Counsel for Advocacy periodically report to the SBA Management Board on findings and recommendations regarding veterans participation in SBA programs and the small business economic sector.

We believe this information and data are important and strongly support SBA's implementation of this directive.

Mr. Chairman, that concludes our statement. We hope the above information has been of assistance in your inquiry.

Thank you.

§852.219-70 Veteran-owned small business.

As prescribed in §819.7003, the following certification will be made a part of all solicitations and all requests for quotations:

VETERAN-OWNED SMALL BUSINESS

(November 1984)

The offeror represents that the firm submitting this offer () is () is not, a Vietnam era veteran-owned small business and () is () is not, a disabled veteran-owned small business. A Vietnam era veteran-owned small business or a disabled veteran-owned small business is defined as a small business, at least 51 percent of which is owned by such a veteran, who also controls and operates the business. Control in this context means exercising the power to make policy decisions. Operate in this context means actively involved in day-to-day management. For the purpose of this definition, eligible veterans include:

(a) Those who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably.

(b) Disabled veterans of any era with a minimum compensable disability of 30 percent, or a veteran of any era who was discharged for disability.

Failure to execute this representation will be deemed a minor informality and the bidder or offeror shall be permitted to satisfy the requirement prior to award (see FAR 14.405).

(End of Provision)

SOLICITATION MAILING LIST APPLICATION			1. TYPE OF APPLICATION ☐ INITIAL ☐ REVISION	2. DATE	FORM APPROVED OMB NO. 7000-0445 APPROVAL EXPIRES 11-30-87
NOTE: Please complete all items on this form. Insert N/A in items not applicable. See Reverse for Instructions.					
3. NAME AND ADDRESS OF FEDERAL AGENCY TO WHICH FORM IS SUBMITTED (Include ZIP Code)			4. NAME AND ADDRESS OF APPLICANT (Include county and ZIP Code)		
5. TYPE OF ORGANIZATION (Check one) ☐ INDIVIDUAL ☐ NON-PROFIT ORGANIZATION ☐ PARTNERSHIP ☐ CORPORATION INCORPORATED UNDER THE LAWS OF THE STATE OF:			6. ADDRESS TO WHICH SOLICITATIONS ARE TO BE MAILED (If different than form 4)		
7. NAMES OF OFFICERS, OWNERS, OR PARTNERS					
A. PRESIDENT		B. VICE PRESIDENT		C. SECRETARY	
D. TREASURER		E. OWNERS OR PARTNERS			
8. AFFILIATES OF APPLICANT (Name, location and nature of affiliation. See definition on reverse)					
9. PERSONS AUTHORIZED TO SIGN OFFERS AND CONTRACTS IN YOUR NAME (Indicate if agent)					
NAME		OFFICIAL CAPACITY		TELEPHONE NO. (Include area code)	
10. IDENTIFY EQUIPMENT, SUPPLIES, AND/OR SERVICES ON WHICH YOU DESIRE TO MAKE AN OFFER (See attached Federal agency's supplemental listing and instructions, if any)					
11. SIZE OF BUSINESS (See definitions on reverse)					
SMALL BUSINESS (If checked, complete items 11B and 11C)		☐ OTHER THAN SMALL BUSINESS			
12. TYPE OF OWNERSHIP (See definitions on reverse. Not applicable for other than small businesses)					
☐ VETERAN ERA VETERAN OWNED BUSINESS		☐ DISABLED VETERAN OWNED BUSINESS			
☐ DISADVANTAGED BUSINESS		☐ WOMAN OWNED BUSINESS			
13. TYPE OF BUSINESS (See definitions on reverse)					
☐ MANUFACTURER OR PRODUCER		☐ REGULAR DEALER		☐ CONSTRUCTION CONCERN	
☐ SERVICE ESTABLISHMENT		☐ RESEARCH OR DEVELOPMENT		☐ SURPLUS DEALER	
14. DUNS NO. (If available)					
15. HOW LONG IN PRESENT BUSINESS?					
16. FLOOR SPACE (In square feet)					
A. MANUFACTURING		B. WAREHOUSE			
17. NET WORTH					
A. GROSS		B. AMOUNT			
		\$			
18. SECURITY CLEARANCE (If applicable, check highest clearance authorized)					
FOR		TOP SECRET		SECRET	
				CONFIDENTIAL	
A. KEY PERSONNEL		C. NAMES OF AGENCIES WHICH GRANTED SECURITY CLEARANCES (Include date)			
B. PLANT ONLY					
CERTIFICATION: I certify that information supplied herein (including all pages attached) is correct and that neither the applicant nor any person (or concern) in any connection with the applicant as a principal or officer, so far as is known, is now barred or otherwise declared ineligible by any agency of the Federal Government from making offers for furnishing materials, supplies, or services to the Government or any agency thereof.					
19. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN (Type or Print)			20. SIGNATURE		21. (DATE SIGNED)

INSTRUCTIONS

Persons or concerns wishing to be added to a particular agency's bidder's mailing list for supplies or services shall file this properly completed and certified Solicitation Mailing List Application, together with such other lists as may be attached to this application form, with each procurement office of the Federal agency with which they desire to do business. If a Federal agency has attached a Supplemental Commodity list with instructions, complete the application as instructed. Otherwise, identify in Item 10 the equipment, supplies and/or service on which you desire to bid. (Provide Federal Supply Class or Standard Industrial Classification Codes if available.) The application shall be submitted and signed by the principal as distinguished from an agent, however constituted.

After placement on the bidder's mailing list of an agency, your failure to respond (submission of bid, or notice in writing, that you are unable to bid on that particular transaction but wish to remain on the active bidder's mailing list for that particular item) to solicitation will be understood by the agency to indicate lack of interest and concurrence in the removal of your name from the purchasing activity's solicitation mailing list for the items concerned.

SIZE OF BUSINESS DEFINITIONS (See Item 11A.)

a. Small business concern. A small business concern for the purpose of Government procurement is a concern, including its affiliates, which is independently owned and operated, is not dominant in the field of operation in which it is competing for Government contracts and can further qualify under the criteria concerning number of employees, average annual receipts, or other criteria, as prescribed by the Small Business Administration. (See Code of Federal Regulations, Title 13, Part 121, as amended, which contains detailed industry definitions and related procedures.)

b. Affiliates. Business concerns are affiliates of each other when either directly or indirectly (i) one concern controls or has the power to control the other, or (ii) a third party controls or has the power to control both. In determining whether concerns are independently owned and operated and whether or not affiliation exists, consideration is given to all appropriate factors including common ownership, common management, and contractual relationship. (See items 8 and 11A.)

c. Number of employees. (Item 11B) In connection with the determination of small business status, "number of employees" means the average employment of any concern, including the employees of its domestic and foreign affiliates, based on the number of persons employed on a full-time, part-time, temporary, or other basis during each of the pay periods of the preceding 12 months. If a concern has not been in existence for 12 months, "number of employees" means the average employment of such concern and its affiliates during the period that such concern has been in existence based on the number of persons employed during each of the pay periods of the period that such concern has been in business.

TYPE OF OWNERSHIP DEFINITIONS (See Item 12.)

a. "Disadvantaged business concern" means any business concern (1) which is at least 51 percent owned by one or more socially and economically disadvantaged individuals, or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more socially and economically disadvantaged individuals; and (2) whose management and daily business operation are controlled by one or more such individuals.

b. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who are U.S. citizens and who also control and operate the business.

c. "Vietnam Era Veteran-Owned Business" A Vietnam era veteran-owned business is defined as a small business, at least 51 percent of which is owned by such a veteran.

• **COMMERCE BUSINESS DAILY** - The Commerce Business Daily, published by the Department of Commerce, contains information concerning proposed procurements, sales, and contract awards. For further information concerning this publication, contact your local Commerce Field Office.

who also controls and operates the business. Control in this context means exercising the power to make policy decisions. Operate in this context means actively involved in day-to-day management. For the purpose of this definition, eligible veterans include those who served for a period of more than 180 days, any part of which was between August 5, 1964 and May 7, 1975, and were discharged other than dishonorably.

d. Disabled Veteran-Owned Business" A disabled veteran-owned business is defined as a small business, at least 51 percent of which is owned by such a veteran, who also controls and operates the business. Control in this context means exercising the power to make policy decisions. Operate in this context means actively involved in day-to-day management. For the purpose of this definition, eligible veterans include disabled veterans of any era with a minimum compensable disability of 30 percent, or a veteran of any era who was discharged for disability.

TYPE OF BUSINESS DEFINITIONS (See Item 13.)

a. Manufacturer or producer means a person (or concern) owning, operating, or maintaining a store, warehouse, or other establishment that produces, on the premises, the materials, supplies, articles, or equipment of the general character of those listed in Item 10, or in the Federal Agency's Supplemental Commodity List, if attached.

b. Service establishment - means a concern (or person) which owns, operates, or maintains any type of business which is principally engaged in the furnishing of nonpersonal services, such as (but not limited to) repairing, cleaning, redecorating, or rental of personal property, including the furnishing of necessary repair parts or other supplies as part of the services performed.

c. Regular dealer (Type 1) - means a person (or concern) who owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles, or equipment of the general character listed in Item 10, or in the Federal Agency's Supplemental Commodity List, if attached, are bought, kept in stock, and sold to the public in the usual course of business.

d. Regular dealer (Type 2) - In the case of supplies of particular kinds (at present, petroleum, lumber and timber products, machine tools, raw cotton, green coffee, hay, grain, feed, or straw, agricultural liming materials, tea, raw or unmanufactured cotton linters and used ADPE). Regular dealer means a person (or concern) satisfying the requirements of the regulations (Code of Federal Regulations, Title 41, 50.201.101(a)(2)) as amended from time to time, prescribed by the Secretary of Labor under the Walsh-Healey Public Contracts Act (Title 41 U.S. Code 35-45). For coal dealers see Code of Federal Regulations, Title 41, 50.201.604(a).

REQUEST FOR NEW OR REVISED FORM OR FORM LETTER				(FOR FORMS CONTROL USE)	
1. TO Forms and Correspondence Mgmt (732)		2. ROOM NO.		3. DATE OF REQUEST 10/16/85	
4. FROM (Originating office and person in contact) Bonnie Agnell Office of Procurement and Supply		5. ROOM NO. AND BUILDING 775-F, VACO		6. TELEPHONE EXTENSION 2918	
7. FORM OR FL NO. (If assigned) Exception to SF-129		8. TITLE OR SUBJECT Solicitation Mailing List Application			
9. TYPE OF FORM OR FL REQUESTED (Check one) ☐ NEW ☒ REVISED ☐ TEST ☐ NONRECURRING ☐ OVERPRINT					
10. JUSTIFICATION AND PURPOSE (Explain fully necessary how the Form or Form Letter will be used, reasons for revision, etc.) In Block 12, correct "Veteran Era Veteran-Owned Business" to read "Vietnam Era Veteran-Owned Business" (see attached)					
11. USED BY (Specify users by organizational element and location) FLD, CO				12. ESTIMATED MONTHLY USAGE 14,000	
13. CONCURRENCES OF OTHER AFFECTED OFFICES n/a					
14. PROPOSED COVERING ISSUETS (Attach draft, if available) ☐ TO BE RELEASED WITH FORM OR FL ☐ TO BE RELEASED SEPARATELY ☒ NOT REQUIRED					
15. FORMS AND FL'S REPLACED, SUPERSEDED, OR ELIMINATED (List by number and issue date) n/a				16. WILL EXISTING STOCKS BE USED? ☒ YES ☐ NO	
17. METHOD(S) OF MAKING ENTRIES ☐ PENCIL ☒ INK ☒ TYPEWRITER ☐ OTHER (Specify)					
18A. COPY REQUIREMENTS AND DISPOSITION (Indicate no. of copies to be prepared by showing disposition of each. For copies filed in 54, show where each will be maintained, specify name of file, if applicable, and complete items 18B, 18C, 18D, and 18E.)		18B. FILED BY (TW, DM, GERM, REC)		18C. TYPE OF FILE (TYP or side folder, folder, binder, etc.)	
18D. RECOMMENDED RETENTION PERIOD					
18E. JUSTIFICATION FOR RECOMMENDED RETENTION OF EACH PART TO BE RETAINED IN VA (Continue on reverse)					
19. TOTAL QUANTITY REQUESTED 150,000		20. GENERAL SPECIFICATIONS (Indicate any special requirements regarding physical characteristics) 8-1/2 x 11			
21. DATE REQUIRED BY USING OFFICE(S)		22. DISTRIBUTION INSTRUCTIONS ☐ FOR INITIAL DISTRIBUTION BALANCE TO DEPOT STOCK (Attach Form 3-7225) ☒ NO DEPOT STOCK FOR ISSUE ☐ AUTHORIZED REQUISITION ☐ OTHER (Specify)			
23. SIGNATURE OF ORIGINATING OFFICER J. J. JOERGER, Director Policy & Interagency Service		24. DATE 10/16/85		25. SIGNATURE OF PUBLIC AFFAIRS OFFICER Bonnie B. Agnell	
				26. DATE 10/16/85	



Statement of
The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

PAULS S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

before the

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

on

SMALL BUSINESS PROGRAMS FOR VETERANS

November 13, 1985

Mr. Chairman and members of the Committee, The American Legion appreciates the opportunity to present its views on veterans programs undertaken by the Small Business Administration's Office of Veterans Affairs. The timeliness of this hearing is unquestionably clear since the momentum behind SBA efforts to provide meaningful assistance to veterans seems to have abated recently.

Moreover, the history of SBA efforts to promote veterans programs is a checkered one at best. On May 30, 1969 then SBA Administrator Hilary Sandoval instructed his field offices to, "make the most liberal interpretation possible of our rules and regulations to aid the veterans... particularly the returning Vietnam veterans wishing to start their own business." Since that time, over 16 years ago, and in spite of the enactment in 1974 of P.L. 93-237 providing "special consideration" for Vietnam era and disabled veterans, little if anything was actually done until 1980.

Following enactment of P.L. 93-237, it was nearly two years before the regulations implementing "special consideration" were printed. Even though the implementing regulations were finally printed, nothing in them established veterans as a special or priority agency concern. As a result of this and a naggingly persistent agency reluctance to address the rights of veterans under the law, veterans have been relegated to the back of the bus.

In 1980, as a result of oversight hearings by this committee and the House and Senate Veterans Affairs Committees, SBA was presumably embarrassed into taking some steps toward implementation of the law. In a first step, Veterans Affairs Officers were

designated in each district office and given responsibility for providing "special consideration" to veterans seeking to initiate new businesses. Unfortunately, these Veterans Affairs Officers as federal employees were rarely rated at more than the GS-7 level, often were unaware that they had been designated as the Veterans Affairs Officer for the district office and were required to address the needs of veterans in addition to all of their other responsibilities. This latter circumstance is one that persists currently.

A second agency step undertaken later in 1980, and again presumably as a result of embarrassment before Congress, was an effort to launch an outreach campaign to assure that veterans were aware of their rights and to provide information and assistance. In that year, it is our understanding that SBA sponsored approximately 100 conferences and workshops around the nation. At a time when it appeared that veterans were finally going to receive genuine assistance, there was a change in Presidential Administrations creating understandable uncertainties as to what a new executive team at SBA might have in store for veterans.

After some initial resistance, owing to a general policy desire to reduce spending and to take SBA out of the direct loan business, a genuine partnership between SBA and the veterans service organizations was formed in the interest of fashioning a meaningful veterans program. At the request of the veterans organizations and the urging of House Veterans Affairs Committee Chairman Sonny Montgomery, a task force consisting of representatives of SBA, VA, DoL and the veterans organizations was established to thoroughly flesh out the agency's responsibilities

to veterans and make recommendations for future action. The report of this task force was submitted to the Administrator of SBA in early 1982 and on May 14, 1982 Administrator James Sanders issued a policy statement setting out the skeleton of an agency mission for veterans.

Mr. Chairman, since 1981 and until very recently, SBA has demonstrated a commitment to veterans and to its responsibilities under the law that has been unparalleled since the issue of "special consideration" first emerged in 1969. It is our opinion that attempts this year to completely abolish the SBA and the loss last year of SBA's Office of Veterans Affairs director have combined to obscure the agency's mission and sense of direction where veterans are concerned.

It is predictable that agency morale would be shaken in the face of proposed extinction. Employees fearing for their jobs, livelihoods and careers, understandably preoccupy themselves with matters other than those of interest to the constituencies of agency programs. Added to this, the enthusiasm of the Office of Veterans Affairs has declined with the unfortunate death of its director Stephen Mollett. The fact that no permanent new director has yet been assigned has undoubtedly created doubt in the field about continued agency commitment.

After having briefly outlined the history of SBA activities on behalf of veterans, there are several points that must be made on the general topic of agency mission for veterans. As stated earlier, the May 14, 1982 Policy Statement issued by Administrator Sanders set out only the skeleton of an agency mission. Still remaining in order to add flesh and muscle to this skeleton are

regulations to define "special consideration" for veterans and what the agency is required to do to deliver "special consideration." We are aware of draft regulations that were produced some years ago, but these have never been published. The absence of new regulations leaves those unsatisfactory regulations published in 1976 still in force.

While it is ironic that what was done in 1982 to promote a real SBA program for veterans was done by administrative fiat rather than much earlier in simple compliance with the law, it is now necessary to further amend the Small Business Act by spelling out what the agency's mission is and how it is to be implemented. Without new and specific directions to the agency by Congress, any change at SBA could usher in a return to pre 1980 circumstances. Since what has been established administratively can just as easily be canceled administratively, we believe amending the Small Business Act would be a prudent course of action to take.

Specifically, the agency's mission for veterans should be spelled out not by further use of ambiguous terms such as "special consideration", but instead by holding the agency to specific annual standards of accomplishment. If the agency's mission for veterans is defined in this way it will be much more difficult for an unsympathetic agency to obscure its failures by pointing to esoteric deeds. By the same token, a mission defined in this way will permit all interested parties to clearly measure the agency's successes. By requiring the agency to perform several clear functions tailored to have the effect of getting more veterans into small businesses, it will be difficult for the agency to

inconspicuously ignore the legal obligation to provide "special consideration."

Therefore, the Legion has several recommendations. Each year SBA should be required to report on the percentage of veterans who received loan guaranties, counseling, management assistance or who participated in any other SBA program by contrast with nonveterans. If after any year the agency was unable to report a fixed percentage of veteran participation, the agency should be required to offer an explanation along with an accounting of what steps had been or were to be taken to correct the situation.

Obviously the agency would fail to accomplish its mission without adequate resources or an administrative infrastructure. For these reasons, we further suggest that the Office of Veterans Affairs (OVA) be made an independent entity within the SBA. Currently OVA is subsumed under the Office of Business Development.

On the subject of independent operating capacity, we were shocked to learn recently that OVA has absolutely no control over the \$25 million in funds available to veterans for direct loans. We learned this while inquiring why the agency found it so difficult to exhaust this very small amount of resources. It was further learned that OVA lacks any idea of what the financial, economic and business profile of the typical veteran receiving a direct loan might be.

The point here is that independent operational status is needed. OVA should at least have participatory control over direct loan funds and should be able to independently order specific activities for veterans in the field.

Under current circumstances this alone would also be insufficient. In regional and district offices there are Veterans Affairs Officers, but these individuals are required to divide their time among several assigned responsibilities apart from veterans. To remedy this situation and to provide the agency with a capacity for maintaining ongoing field activities such as workshops, seminars, business fairs or development of and systematic participation in Veterans Business Resource Councils (VBRC's), we suggest that the OVA be given a full time field staff. Given the fact that there are 10 regional offices, the individuals who serve as Veterans Affairs Officers in each of these offices should be made full time permanent career employees.

Under the circumstances, these full time Regional Veterans Affairs Officers (RVAO) could provide guidance and supervisory direction to the Veterans Affairs Officers (VOA) in each of the over 90 district offices. With this infrastructure in place, it would be reasonable to legislatively require specific numbers of activities be undertaken in each region each year. Moreover, this model also better lends itself to the resolution of a persistent problem in the field. RVAO's, as full time professionals, could see to it that all VAO's in district offices are fully trained and capable of assisting veteran clients.

Additionally, the existence of a full time field apparatus for veterans should make it possible for the agency to better access the local veterans community as well as VA and DoL offices in the promotion of SBA programs for veterans. This networking function is critically important. Virtually every local community has a

veterans community and almost all of them are active to some degree.

Mr. Chairman, in legislating an SBA mission for veterans in this fashion we believe the agency will be given a clear and unmistakable mandate that cannot be ignored. If you agree with us that a legislative remedy is appropriate, we will be more than willing to assist you in any way that we can in developing a comprehensive veterans in small business bill.

Turning to other matters, there are several concerns deserving of comment. The Office of Veterans Affairs has been without a director for nearly a year. This single fact may in part explain why SBA has spent so few of the dollars allocated for direct loans to veterans during fiscal year 1985. During fiscal year 1984, for example, \$19.8 million of the available \$25 million was spent while in fiscal year 1985 only \$8.6 million of its available \$25 million was spent. We believe it all should have been spent in each of the last two fiscal years, but we suspect that the absence of someone at the helm during most of fiscal year 1985 may have contributed to the problem.

Just as leaderlessness at OVA may have affected direct loan spending, so too the same circumstance may have contributed to a slowdown in activities in the field. For all of these reasons we strongly believe SBA should move with haste to appoint a new director. Upon doing so, we further believe that regional and district offices will be given a renewed signal from Washington that the agency is still serious about veterans.

On the subject of SBA spending for veterans outreach activities in fiscal years 1983, 1984 and 1985, we have difficulty understanding

why so much, even if not all, went unspent. Outreach is obviously one of the key factors in encouraging veterans to participate in programs available to them. Aside from asking the open question of why the funds were unspent even though in our view they could easily have been spent, we would like to know whether or not the remaining unspent funds were returned to the treasury at the conclusion of each of the last three fiscal years. If they were not returned to the treasury, they most certainly were spent on something. We certainly hope the Office of Veterans Affairs and the veterans who are supposed to be served are not paying the cost of some other SBA activity.

Finally, Mr. Chairman, as indicated earlier, the Office of Veterans Affairs was created as a result of a partnership between SBA and the veterans service organizations. Without maintaining this partnership, SBA will undoubtedly find it difficult to maintain its access to veterans communities around the nation. Today there exists an Advisory Committee on Veterans Business Affairs. This committee consists of representatives of SBA, VA, DoL and veterans organizations. It is designed to maintain open communications among all interested parties and to make recommendations for program improvements. Unfortunately, that panel is scheduled to go out of existence at the end of this year. Since the recommendations of this panel have been constructive and since its existence has offered veterans organizations a forum for open exchange of ideas, we believe it should be retained.

Mr. Chairman, that concludes our statement.

STATEMENT
FOR THE RECORD
OF
JAMES E. PECHIN
DIRECTOR OF
THE BUSINESS STORE

Mr. Chairman, I appreciate this opportunity to comment on the activities of the Office of Veteran Affairs of the Small Business Administration. For the past eight years I have been involved in economic development efforts for veterans on both the local and national levels. I served as Chairman of the Task Force on Veterans in Business for The White House Conference on Small Business, conducted a study of SBA services to veterans in 1980 and received the National Veteran Advocate of the Year Award in 1983. I am currently employed as a private business consultant in Santa Rosa, California.

Before I comment on the current efforts of the Small Business Administration, I want to give you a brief overview of programs provided to veterans. I feel that this provides the proper context in which to view the subject of today's hearings.

The Servicemen's Readjustment Act of 1944 (known as the GI Bill) established a loan program for World War II veterans. This program was administered by the Veterans Administration.

According to a 1952 study conducted by Congressman Olin Teague, by June of 1952, over 2,361,000 loans, with an initial principal amount of more than \$18 billion, had been guaranteed by the Veterans Administration under Title III of the legislation. That is \$18 billion in 1952 dollars. More than 2.7 million loans were for housing, about 58,700 were for farm loans and approximately 84,200 were business loans. Small

business loans accounted for about 3% of all the loans made to veterans in this 7 year period. The initial principal amount for business loans only was \$289 million. By adjusting for inflation and applying the Consumer Price index I estimate that that amount would be \$1,156,000,000 in 1985 dollars. Mr. Chairman, that would be \$1.15 BILLION dollars in direct, low interest loans from the federal government, if the same investment in Vietnam veterans as in their parents was made today.

The overall default rate on all VA loans was less than one percent. In 1952 congress extended the World War II loan program to include Korean war veterans. From such an auspicious beginning one would believe that there would be a great future for business loan programs for veterans.

Nothing could be further from the truth.

In 1953 legislation was passed by Congress creating the Small Business Administration. In that same year the Administrator of the VA issued a letter containing an overview of the intent and mission of the SBA. At no point did he address the VA's small business loan program or even refer to any coordination or integration of services between the two agencies. Apparently not until 1972 did the SBA and VA enter into any joint agreements to assist veterans seeking to start a small business.

In 1974 Congress enacted P.L. 93-237 which provided for "special consideration" for veterans. The entire legislative history of the special consideration provision, however, consists of only two sentences and additional remarks by Congressman Edward Koch of New York prior to passage of the bill. Congressman Koch's statement was: "I intended to vote for this bill as it covers a desperate need in stimulating enterprise in poverty stricken areas and among disadvantaged people. The special needs of the Vietnam veteran are covered in this bill, an area where recognition is lacking elsewhere, and I applaud this bill for such inclusion."

The "special consideration" provision of P.L. 93-237 resulted in an eleven point set of regulations being issued by the SBA. These regulations were never implemented and rarely discussed until the White House Conference on Small Business in 1980. Through the efforts of the Task Force on Veterans in Business at the Conference the only positive outcome for veterans was that the Administrator of the SBA, Vernon Weaver, publicly stated that they do not provide "special consideration" for veterans. After that public statement, there was finally some movement by the SBA.

In July of 1980 I entered into a contract with the SBA to analyze and evaluate their services to veterans and I submitted a final report to them in October of that year. In 1981 SBA

established the "Administrator's Task Force on 'Special Consideration' for Veterans". That Task Force made twenty nine recommendations to improve the agency's efforts.

In 1982 Administrator James Sanders issued a policy statement on "Special Consideration." The Administrator has proven himself to be a true friend of the veteran. The creation of the Office of Veterans Business Enterprise was the first concrete step taken by the agency in implementing "special consideration." I believe we have a great deal of support in the Administrator's office. But translating that support into effective services at the local level has proven most difficult. Implementing "special consideration" will require commitment, dedication, and funding at all levels of the organization. But in these times of selective fiscal restraint the SBA works against its' own stated objectives. In FY 1984 there was \$1.83 million specifically appropriated for operation of the veterans program, yet only \$660,000 was spent. In FY 1985 there was \$1.68 million specifically appropriated and only \$230,000 spent. This may please OMB but it does not please the veteran community. This spending pattern is contrary to the intent of the law as implemented in the Administrator's policy statement.

The Veterans Affairs Officers of the SBA are the key point of delivery of services to veterans. Some are capable and efficient and some are not even aware that there is a

veterans program. One burden all VAO's share is the problem of collateral responsibility. While the overall number of agency employees has decreased, the number of different responsibilities has increased. Therefore each SBA employee, especially the most competent, are required to take on additional tasks, without a corresponding decrease in their other duties. This does not contribute to an efficient delivery system.

An optimum situation to provide veterans with services would be to restrict the VAO to performing that task alone. The greatest need most small business persons have is for management assistance and business training. Veterans are not an exception to this rule.

Additionally, I feel very strongly that there is value to counseling some veterans not to go into business. Dunn and Bradstreet have stated that four out of five new businesses fail within the first five years. Often this results in bankruptcy, foreclosure of home mortgages and the many related personal problems that accompany a business failure. A much needed service for veterans would be to provide them with the counseling and management assistance necessary to evaluate their chances of success in the small business environment. The availability of such a service for all veterans would ensure the existence of a delivery system which has been your legislative intent since 1974. In 1985, your continuing oversight of the veterans program, is the only remaining method of achieving the goals stated above.

STATEMENT OF HERMAN DIRECTOR FOR THE
NATIONAL SMALL BUSINESS ASSOCIATION

Mr. President:

I wish to call my colleagues' attention to a precedent-setting action that could prove of immeasurable value to Vietnam veterans seeking entry into our nation's economic mainstream and to those Vietnam veterans who already have become entrepreneurs.

You are aware, I am certain, of the Senate Small Business Committee's strong interest in assuring that Vietnam veterans receive the full support of the federal government in their efforts to start and operate their own businesses and of the hearings that the Committee held last November to review the federal effort to assist Vietnam veterans in business.

The National Small Business Association (NSB) which has been a leading advocate of small business for the past half century, has taken the lead again in recognizing the need and finding a means of encouraging and supporting Vietnam veterans seeking careers in business.

NSB and the Vietnam Veterans of America (VVA) have concluded a cooperative agreement under which small businessmen and women who are Vietnam veterans and join the VVA, automatically receive an honorary membership for one year in The National Small Business Association. The membership of course, carries with it all of the association's attendant benefits, not the least of which is access to the Bidders Early Alert Message -- BEAM -- program which facilitates entry into the federal government's \$150-160 billion annual procurement market.

The BEAM program has been an outstanding success since it was inaugurated by the NSB 15 years ago and has proved to be very profitable and helpful to firms that subscribe to the service. One of the major advantages of BEAM is that the prospective small business bidders are sent all of the pertinent information on federal bid requests for items in which they have indicated an interest, the same day the requests for bid are announced by the government. This early alert system often means the difference

in a small business bidder being able to submit a bid within the bid deadline.

Subscribers to the association's BEAM service currently are being awarded contracts valued at approximately \$150 million annually. I believe that this service holds great promise for new and fledgling firms operated by Vietnam veterans.

I want to publicly commend the Chairman of the Board of Trustees of the National Small Business Association, George Abbott, President and Chief Executive Officer of Trouble Shooters, Inc., an Omaha, NE consulting firm who also is a Vietnam veteran, and Robert O. Muller, President of the Vietnam Veterans of America for their foresight, initiative and leadership in developing and perhaps more importantly, implementing this agreement.

I ask permission to enter into the Record, the text of an article on the new pact which appeared in the January issue of VETERAN, the VVA's official publication:

Business Group Links Hands With Viet Veterans

An historic cooperative arrangement between the National Small Business Association (NSBA) and the Vietnam Veterans of America (VVA).

"This agreement provides honorary membership in NSBA for one full year for Vietnam veterans in small business who join VVA," according to George Abbott, newly elected National Chairman of the NSBA. Abbott, a successful small business owner in Omaha, Nebraska is himself a Vietnam veteran, serving two tours in Vietnam as a lieutenant in the United States Navy.

Robert O. Muller, President of Vietnam Veterans of America noted that "This arrangement marks meaningful recognition that the leadership of Vietnam veterans is needed to strengthen the American economy. It will provide the margin needed for success for many Vietnam and disabled veterans now embarking on their own enterprises."

Vietnam veterans will receive benefits of membership to VVA, plus the full be-

nefits of NSBA membership, for one low price. "Perhaps most significant," according to Muller, "is that this arrangement will provide Vietnam veterans with access to the NSBA's 'Bidder Early Alert Message' (BEAM) system, which aided NSBA members is selling over \$150 million worth of goods and services to the federal government last year. This will greatly assist Vietnam veterans in successfully competing for a share of the American dream with those our age who chose not to serve."

The announcement was made by Abbott and Muller at the Renaissance Center in Detroit, Michigan, as the National Convention of Vietnam Veterans of America began. The arrangement will be fully operational by January 1986.

"The National Small Business Association is proud to stand with the Vietnam Veterans of America," stated Abbott. "The nation has finally begun to welcome home its sons and daughters. It remains for the business community to do the same. It's time."

VVA Veteran